NIKE, Inc. Consolidated Statements of Income

(In millions, except per share data)	Year Ended May 31, 2015	2014	2013
Income from continuing operations:			
Revenues	$ 30,601	$ 27,799	$ 25,313
Cost of sales	16,534	15,353	14,279
Gross profit	14,067	12,446	11,034
Demand creation expense	3,213	3,031	2,745
Operating overhead expense	6,679	5,735	5,051
Total selling and administrative expense	9,892	8,766	7,796
Interest expense (income), net (Notes 6, 7 and 8)	28	33	(3)
Other (income) expense, net (Note 17)	(58)	103	(15)
Income before income taxes	4,205	3,544	3,256
Income tax expense (Note 9)	932	851	805
NET INCOME FROM CONTINUING OPERATIONS	**3,273**	**2,693**	**2,451**
NET INCOME FROM DISCONTINUED OPERATIONS	**—**	**—**	**21**
NET INCOME	**$ 3,273**	**$ 2,693**	**$ 2,472**
Earnings per common share from continuing operations:			
Basic (Notes 1 and 12)	$ 3.80	$ 3.05	$ 2.74
Diluted (Notes 1 and 12)	$ 3.70	$ 2.97	$ 2.68
Earnings per common share from discontinued operations:			
Basic (Notes 1 and 12)	$ —	$ —	$ 0.02
Diluted (Notes 1 and 12)	$ —	$ —	$ 0.02
Dividends declared per common share	$ 1.08	$ 0.93	$ 0.81

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc. Consolidated Statements of Comprehensive Income

(In millions)	Year Ended May 31, 2015	2014	2013
Net income	$ 3,273	$ 2,693	$ 2,472
Other comprehensive income (loss), net of tax:			
Change in net foreign currency translation adjustment[1]	(20)	(32)	38
Change in net gains (losses) on cash flow hedges[2]	1,188	(161)	12
Change in net gains (losses) on other[3]	(7)	4	(8)
Change in release of cumulative translation loss related to Umbro[4]	—	—	83
Total other comprehensive income (loss), net of tax	1,161	(189)	125
TOTAL COMPREHENSIVE INCOME	**$ 4,434**	**$ 2,504**	**$ 2,597**

(1) Net of tax benefit (expense) of $0 million, $0 million and $(13) million, respectively.

(2) Net of tax benefit (expense) of $(31) million, $18 million and $(22) million, respectively.

(3) Net of tax benefit (expense) of $0 million, $0 million and $1 million, respectively.

(4) Net of tax benefit (expense) of $0 million, $0 million and $47 million, respectively.

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc. Consolidated Balance Sheets

(In millions)	May 31, 2015	2014
ASSETS		
Current assets:		
Cash and equivalents (Note 6)	$ 3,852	$ 2,220
Short-term investments (Note 6)	2,072	2,922
Accounts receivable, net (Note 1)	3,358	3,434
Inventories (Notes 1 and 2)	4,337	3,947
Deferred income taxes (Note 9)	389	355
Prepaid expenses and other current assets (Notes 6 and 17)	1,968	818
Total current assets	15,976	13,696
Property, plant and equipment, net (Note 3)	3,011	2,834
Identifiable intangible assets, net (Note 4)	281	282
Goodwill (Note 4)	131	131
Deferred income taxes and other assets (Notes 6, 9 and 17)	2,201	1,651
TOTAL ASSETS	**$ 21,600**	**$ 18,594**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 8)	$ 107	$ 7
Notes payable (Note 7)	74	167
Accounts payable (Note 7)	2,131	1,930
Accrued liabilities (Notes 5, 6 and 17)	3,951	2,491
Income taxes payable (Note 9)	71	432
Total current liabilities	6,334	5,027
Long-term debt (Note 8)	1,079	1,199
Deferred income taxes and other liabilities (Notes 6, 9, 13 and 17)	1,480	1,544
Commitments and contingencies (Note 16)		
Redeemable preferred stock (Note 10)	—	—
Shareholders' equity:		
Common stock at stated value (Note 11):		
Class A convertible — 178 and 178 shares outstanding	—	—
Class B — 679 and 692 shares outstanding	3	3
Capital in excess of stated value	6,773	5,865
Accumulated other comprehensive income (Note 14)	1,246	85
Retained earnings	4,685	4,871
Total shareholders' equity	12,707	10,824
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 21,600**	**$ 18,594**

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc. Consolidated Statements of Cash Flows

(In millions)	Year Ended May 31, 2015	2014	2013
Cash provided by operations:			
Net income	$ 3,273	$ 2,693	$ 2,472
Income charges (credits) not affecting cash:			
Depreciation	606	518	438
Deferred income taxes	(113)	(11)	20
Stock-based compensation (Note 11)	191	177	174
Amortization and other	43	68	64
Net foreign currency adjustments	424	56	66
Net gain on divestitures	—	—	(124)
Changes in certain working capital components and other assets and liabilities:			
(Increase) decrease in accounts receivable	(216)	(298)	142
(Increase) in inventories	(621)	(505)	(219)
(Increase) in prepaid expenses and other current assets	(144)	(210)	(28)
Increase in accounts payable, accrued liabilities and income taxes payable	1,237	525	27
Cash provided by operations	4,680	3,013	3,032
Cash used by investing activities:			
Purchases of short-term investments	(4,936)	(5,386)	(4,133)
Maturities of short-term investments	3,655	3,932	1,663
Sales of short-term investments	2,216	1,126	1,330
Investments in reverse repurchase agreements	(150)	—	—
Additions to property, plant and equipment	(963)	(880)	(598)
Disposals of property, plant and equipment	3	3	14
Proceeds from divestitures	—	—	786
(Increase) in other assets, net of other liabilities	—	(2)	(2)
Cash used by investing activities	(175)	(1,207)	(940)
Cash used by financing activities:			
Net proceeds from long-term debt issuance	—	—	986
Long-term debt payments, including current portion	(7)	(60)	(49)
(Decrease) increase in notes payable	(63)	75	10
Payments on capital lease obligations	(19)	(17)	—
Proceeds from exercise of stock options and other stock issuances	514	383	313
Excess tax benefits from share-based payment arrangements	218	132	72
Repurchase of common stock	(2,534)	(2,628)	(1,674)
Dividends — common and preferred	(899)	(799)	(703)
Cash used by financing activities	(2,790)	(2,914)	(1,045)
Effect of exchange rate changes on cash and equivalents	(83)	(9)	36
Net increase (decrease) in cash and equivalents	1,632	(1,117)	1,083
Cash and equivalents, beginning of year	2,220	3,337	2,254
CASH AND EQUIVALENTS, END OF YEAR	**$ 3,852**	**$ 2,220**	**$ 3,337**
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of capitalized interest	$ 53	$ 53	$ 20
Income taxes	1,262	856	702
Non-cash additions to property, plant and equipment	206	167	137
Dividends declared and not paid	240	209	188

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc. Consolidated Statements of Shareholders' Equity

	Common Stock							
	Class A		Class B					
(In millions, except per share data)	Shares	Amount	Shares	Amount	Capital in Excess of Stated Value	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at May 31, 2012	**180**	**$ —**	**736**	**$ 3**	**$ 4,641**	**$ 149**	**$ 5,526**	**$ 10,319**
Stock options exercised			10		322			322
Conversion to Class B Common Stock	(2)		2					—
Repurchase of Class B Common Stock			(34)		(10)		(1,647)	(1,657)
Dividends on common stock ($0.81 per share)							(727)	(727)
Issuance of shares to employees			2		65			65
Stock-based compensation (Note 11)					174			174
Forfeiture of shares from employees			—		(8)		(4)	(12)
Net income							2,472	2,472
Other comprehensive income (loss)						125		125
Balance at May 31, 2013	**178**	**$ —**	**716**	**$ 3**	**$ 5,184**	**$ 274**	**$ 5,620**	**$ 11,081**
Stock options exercised			11		445			445
Repurchase of Class B Common Stock			(37)		(11)		(2,617)	(2,628)
Dividends on common stock ($0.93 per share)							(821)	(821)
Issuance of shares to employees			2		78			78
Stock-based compensation (Note 11)					177			177
Forfeiture of shares from employees			—		(8)		(4)	(12)
Net income							2,693	2,693
Other comprehensive income (loss)						(189)		(189)
Balance at May 31, 2014	**178**	**$ —**	**692**	**$ 3**	**$ 5,865**	**$ 85**	**$ 4,871**	**$ 10,824**
Stock options exercised			14		639			639
Repurchase of Class B Common Stock			(29)		(9)		(2,525)	(2,534)
Dividends on common stock ($1.08 per share)							(931)	(931)
Issuance of shares to employees			2		92			92
Stock-based compensation (Note 11)					191			191
Forfeiture of shares from employees			—		(5)		(3)	(8)
Net income							3,273	3,273
Other comprehensive income (loss)						1,161		1,161
Balance at May 31, 2015	**178**	**$ —**	**679**	**$ 3**	**$ 6,773**	**$ 1,246**	**$ 4,685**	**$ 12,707**

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

Notes to Consolidated Financial Statements

NOTE 1 — Summary of Significant Accounting Policies

Description of Business

NIKE, Inc. is a worldwide leader in the design, development and worldwide marketing and selling of athletic footwear, apparel, equipment, accessories and services. NIKE, Inc. portfolio brands include the NIKE Brand, Jordan Brand, Hurley and Converse. The NIKE Brand is focused on performance athletic footwear, apparel, equipment, accessories and services across a wide range of sport categories, amplified with sport-inspired sportswear products carrying the Swoosh trademark as well as other NIKE Brand trademarks. The Jordan Brand is focused on athletic and casual footwear, apparel and accessories, using the Jumpman trademark. Sales of Jordan Brand products are included within the NIKE Brand Basketball category. The Hurley brand is focused on surf and action sports and youth lifestyle footwear, apparel and accessories, using the Hurley trademark. Sales of Hurley brand products are included within the NIKE Brand Action Sports category. Converse designs, distributes, markets and sells casual sneakers, apparel and accessories under the Converse, Chuck Taylor, All Star, One Star, Star Chevron and Jack Purcell trademarks. In some markets outside the U.S., these trademarks are licensed to third parties who design, distribute, market and sell similar products. Operating results of the Converse brand are reported on a stand-alone basis.

Basis of Consolidation

The Consolidated Financial Statements include the accounts of NIKE, Inc. and its subsidiaries (the "Company"). All significant intercompany transactions and balances have been eliminated.

The Company completed the sale of Cole Haan during the third quarter ended February 28, 2013 and completed the sale of Umbro during the second quarter ended November 30, 2012. As a result, the Company reports the operating results of Cole Haan and Umbro in the *Net income from discontinued operations* line in the Consolidated Statements of Income for all applicable periods presented. There were no assets or liabilities of discontinued operations as of May 31, 2015 and May 31, 2014 (refer to Note 15 — Discontinued Operations). Unless otherwise indicated, the disclosures accompanying the Consolidated Financial Statements reflect the Company's continuing operations.

On November 15, 2012, the Company announced a two -for-one split of both NIKE Class A and Class B Common shares. The stock split was a 100 percent stock dividend payable on December 24, 2012 to shareholders of record at the close of business on December 10, 2012. Common stock began trading at the split-adjusted price on December 26, 2012. All share numbers and per share amounts presented reflect the stock split.

Reclassifications

Certain prior year amounts have been reclassified to conform to fiscal 2015 presentation.

Revisions

During the third quarter of fiscal 2015, management determined it had incorrectly reflected unrealized gains and losses from re-measurement of non-functional currency intercompany balances between certain of its foreign wholly-owned subsidiaries in its Consolidated Statements of Cash Flows. These unrealized gains and losses should have been classified as non-cash reconciling items from *Net income* to *Cash provided by operations*, but were instead reported on the *Effect of exchange rate changes on cash and equivalents* line of the Consolidated Statements of Cash Flows. This resulted in an understatement of *Cash provided by operations* reported on the Consolidated Statements of Cash Flows for certain prior periods; there was no impact for any period to *Net increase (decrease) in cash and equivalents* reported on the Consolidated Statements of Cash Flows, or *Cash and equivalents* reported on the Consolidated Statements of Cash Flows and Balance Sheets. The Company assessed the materiality of the misclassifications on prior periods' financial statements in accordance with SEC Staff Accounting Bulletin ("SAB") No. 99, Materiality, codified in Accounting Standards Codification ("ASC") 250, Presentation of Financial Statements, and concluded that these misstatements were not material to any prior annual or interim periods. Accordingly, in accordance with ASC 250 (SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), the amounts have been revised in the applicable Consolidated Statements of Cash Flows. For the three and six months ended August 31, 2014 and November 30, 2014 of fiscal 2015, the revisions increased *Cash provided by operations* and decreased *Effect of exchange rate changes on cash and equivalents* by $95 million and $312 million, respectively. For the fiscal years ended May 31, 2014 and 2013, the revisions increased *Cash provided by operations* and decreased *Effect of exchange rate changes on cash and equivalents* by $10 million and $64 million, respectively. These amounts have been reflected in the applicable tables below. As part of the revision to the Consolidated Statements of Cash Flows, the Company has updated its presentation to separately report *Net foreign currency adjustments*, which was previously included within *Amortization and other*.

The following are selected line items from the Company's Unaudited Condensed Consolidated Statements of Cash Flows illustrating the effect of these corrections:

	NIKE, Inc. Unaudited Condensed Consolidated Statements of Cash Flows					
	Three Months Ended August 31, 2014			Six Months Ended November 30, 2014		
(In millions)	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cash provided by operations:						
Net income	$ 962	$ —	$ 962	$ 1,617	$ —	$ 1,617
Income charges (credits) not affecting cash:						
Amortization and other	(34)	42	8	(54)	69	15
Net foreign currency adjustments	—	53	53	—	243	243
Cash provided by operations	588	95	683	1,235	312	1,547
Effect of exchange rate changes on cash and equivalents	97	(95)	2	288	(312)	(24)
Net increase (decrease) in cash and equivalents	83	—	83	53	—	53
Cash and equivalents, beginning of period	2,220	—	2,220	2,220	—	2,220
CASH AND EQUIVALENTS, END OF PERIOD	**$ 2,303**	**$ —**	**$ 2,303**	**$ 2,273**	**$ —**	**$ 2,273**

The following are selected line items from the Company's Consolidated Statements of Cash Flows illustrating the effect of these corrections on the amounts previously reported in the Company's fiscal 2014 Annual Report on Form 10-K:

	NIKE, Inc. Consolidated Statements of Cash Flows					
	Year Ended May 31, 2014			Year Ended May 31, 2013		
(In millions)	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cash provided by operations:						
Net income	$ 2,693	$ —	$ 2,693	$ 2,472	$ —	$ 2,472
Income charges (credits) not affecting cash:						
Amortization and other	114	(46)	68	66	(2)	64
Net foreign currency adjustments	—	56	56	—	66	66
Cash provided by operations	3,003	10	3,013	2,968	64	3,032
Effect of exchange rate changes on cash and equivalents	1	(10)	(9)	100	(64)	36
Net increase (decrease) in cash and equivalents	(1,117)	—	(1,117)	1,083	—	1,083
Cash and equivalents, beginning of year	3,337	—	3,337	2,254	—	2,254
CASH AND EQUIVALENTS, END OF YEAR	**$ 2,220**	**$ —**	**$ 2,220**	**$ 3,337**	**$ —**	**$ 3,337**

Recognition of Revenues

Wholesale revenues are recognized when title and the risks and rewards of ownership have passed to the customer, based on the terms of sale. This occurs upon shipment or upon receipt by the customer depending on the country of the sale and the agreement with the customer. Retail store revenues are recorded at the time of sale and online store revenues are recorded upon delivery to the customer. Provisions for post-invoice sales discounts, returns and miscellaneous claims from customers are estimated and recorded as a reduction to revenue at the time of sale. Post-invoice sales discounts consist of contractual programs with certain customers or discretionary discounts that are expected to be granted to certain customers at a later date. Estimates of discretionary discounts, returns and claims are based on historical rates, specific identification of outstanding claims and outstanding returns not yet received from customers and estimated discounts, returns and claims expected, but not yet finalized with customers. As of May 31, 2015 and 2014, the Company's reserve balances for post-invoice sales discounts, returns and miscellaneous claims were $724 million and $610 million, respectively.

Cost of Sales

Cost of sales consists primarily of inventory costs, as well as warehousing costs (including the cost of warehouse labor), third-party royalties, certain foreign currency hedge gains and losses and research, design and development costs.

Shipping and Handling Costs

Outbound shipping and handling costs are expensed as incurred and included in *Cost of sales*.

Operating Overhead Expense

Operating overhead expense consists primarily of payroll and benefit related costs, rent, depreciation and amortization, professional services and meetings and travel.

Demand Creation Expense

Demand creation expense consists of advertising and promotion costs, including costs of endorsement contracts, television, digital and print advertising, brand events and retail brand presentation. Advertising production costs are expensed the first time an advertisement is run. Advertising communication costs are expensed when the advertisement appears. Costs related to brand events are expensed when the event occurs. Costs related to retail brand presentation are expensed when the presentation is completed and delivered.

A significant amount of the Company's promotional expenses result from payments under endorsement contracts. Accounting for endorsement payments is based upon specific contract provisions. Generally, endorsement payments are expensed on a straight-line basis over the term of the contract after giving recognition to periodic performance compliance provisions of the contracts. Prepayments made under contracts are included in *Prepaid expenses and other current assets* or *Deferred income taxes and other assets* depending on the period to which the prepayment applies.

Certain contracts provide for contingent payments to endorsers based upon specific achievements in their sports (e.g., winning a championship). The Company records demand creation expense for these amounts when the endorser achieves the specific goal.

Certain contracts provide for variable payments based upon endorsers maintaining a level of performance in their sport over an extended period of time (e.g., maintaining a specified ranking in a sport for a year). When the Company determines payments are probable, the amounts are reported in demand creation expense ratably over the contract period based on our best estimate of the endorser's performance. In these instances, to the extent that actual payments to the endorser differ from the Company's estimate due to changes in the endorser's performance, increased or decreased demand creation expense may be recorded in a future period.

Certain contracts provide for royalty payments to endorsers based upon a predetermined percent of sales of particular products. The Company expenses these payments in *Cost of sales* as the related sales occur. In certain contracts, the Company offers minimum guaranteed royalty payments. For contracts for which the Company estimates it will not meet the minimum guaranteed amount of royalty fees through sales of product, the Company records the amount of the guaranteed payment in excess of that earned through sales of product in *Demand creation expense* uniformly over the guarantee period.

Through cooperative advertising programs, the Company reimburses retail customers for certain costs of advertising the Company's products. The Company records these costs in *Demand creation expense* at the point in time when it is obligated to its customers for the costs. This obligation may arise prior to the related advertisement being run.

Total advertising and promotion expenses were $3,213 million, $3,031 million and $2,745 million for the years ended May 31, 2015, 2014 and 2013, respectively. Prepaid advertising and promotion expenses totaled $455 million and $516 million at May 31, 2015 and 2014, respectively, and were recorded in *Prepaid expenses and other current assets* and *Deferred income taxes and other assets* depending on the period to which the prepayment applies.

Cash and Equivalents

Cash and equivalents represent cash and short-term, highly liquid investments, including commercial paper, U.S. Treasury, U.S. Agency, money market funds, time deposits and corporate debt securities with maturities of 90 days or less at the date of purchase.

Short-Term Investments

Short-term investments consist of highly liquid investments, including commercial paper, U.S. Treasury, U.S. Agency and corporate debt securities, with maturities over 90 days at the date of purchase. Debt securities that the Company has the ability and positive intent to hold to maturity are carried at amortized cost. At May 31, 2015 and 2014, the Company did not hold any short-term investments that were classified as trading or held-to-maturity.

At May 31, 2015 and 2014, *Short-term investments* consisted of available-for-sale securities. Available-for-sale securities are recorded at fair value with unrealized gains and losses reported, net of tax, in *Other comprehensive income*, unless unrealized losses are determined to be other than temporary. Realized gains and losses on the sale of securities are determined by specific identification. The Company considers all available-for-sale securities, including those with maturity dates beyond 12 months, as available to support current operational liquidity needs and therefore classifies all securities with maturity dates beyond 90 days at the date of purchase as current assets within *Short-term investments* on the Consolidated Balance Sheets.

Refer to Note 6 — Fair Value Measurements for more information on the Company's short-term investments.

Allowance for Uncollectible Accounts Receivable

Accounts receivable consists primarily of amounts receivable from customers. The Company makes ongoing estimates relating to the collectability of its accounts receivable and maintains an allowance for estimated losses resulting from the inability of its customers to make required payments. In determining the amount of the allowance, the Company considers historical levels of credit losses and makes judgments about the creditworthiness of significant customers based on ongoing credit evaluations. Accounts receivable with anticipated collection dates greater than 12 months from the balance sheet date and related allowances are considered non-current and recorded in *Deferred income taxes and other assets*. The allowance for uncollectible accounts receivable was \$78 million and \$78 million at May 31, 2015 and 2014, respectively, of which \$24 million and \$37 million, respectively, was classified as long-term and recorded in *Deferred income taxes and other assets*.

Inventory Valuation

Inventories are stated at lower of cost or market and valued on either an average or specific identification cost basis. For inventories in transit that represent direct shipments to customers, the related inventory and cost of sales are recognized on a specific identification basis. Inventory costs primarily consist of product cost from the Company's suppliers, as well as inbound freight, import duties, taxes, insurance and logistics and other handling fees.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are recorded at cost. Depreciation is determined on a straight-line basis for buildings and leasehold improvements over 2 to 40 years and for machinery and equipment over 2 to 15 years.

Depreciation and amortization of assets used in manufacturing, warehousing and product distribution are recorded in *Cost of sales*. Depreciation and amortization of other assets are recorded in *Total selling and administrative expense*.

Software Development Costs

Internal Use Software. Expenditures for major software purchases and software developed for internal use are capitalized and amortized over a 2 to 10 year period on a straight-line basis. The Company's policy provides for the capitalization of external direct costs of materials and services associated with developing or obtaining internal use computer software. In addition, the Company also capitalizes certain payroll and payroll-related costs for employees who are directly associated with internal use computer software projects. The amount of capitalizable payroll costs with respect to these employees is limited to the time directly spent on such projects. Costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred.

Computer Software to be Sold, Leased or Otherwise Marketed. Development costs of computer software to be sold, leased or otherwise marketed as an integral part of a product are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. In most instances, the Company's products are released soon after technological feasibility has been established. Therefore, software development costs incurred subsequent to achievement of technological feasibility are usually not significant, and generally most software development costs have been expensed as incurred.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, the Company would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, the Company will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value.

Goodwill and Indefinite-Lived Intangible Assets

The Company performs annual impairment tests on goodwill and intangible assets with indefinite lives in the fourth quarter of each fiscal year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit or an intangible asset with an indefinite life below its carrying value. Events or changes in circumstances that may trigger interim impairment reviews include significant changes in business climate, operating results, planned investments in the reporting unit, planned divestitures or an expectation that the carrying amount may not be recoverable, among other factors. The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company determines that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, the two-step impairment test is unnecessary. The two-step impairment test first requires the Company to estimate the fair value of its reporting units. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and the Company proceeds to step two of the impairment analysis. In step two of the analysis, the Company measures and records an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value, if any.

The Company generally bases its measurement of the fair value of a reporting unit on a blended analysis of the present value of future discounted cash flows and the market valuation approach. The discounted cash flows model indicates the fair value of the reporting unit based on the present value of the cash flows that the Company expects the reporting unit to generate in the future. The Company's significant estimates in the discounted cash flows model include: its weighted average cost of capital; long-term rate of growth and profitability of the reporting unit's business; and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison of the reporting unit to comparable publicly traded companies in similar lines of business. Significant estimates in the market valuation approach model include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value of the reporting unit.

Indefinite-lived intangible assets primarily consist of acquired trade names and trademarks. The Company may first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, the Company determines that it is more likely than not that the indefinite-lived intangible asset is not impaired, no quantitative fair value measurement is necessary. If a quantitative fair value measurement calculation is required for these intangible assets, the Company utilizes the relief-from-royalty method. This method assumes that trade names and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires the Company to estimate the future revenue for the related brands, the appropriate royalty rate and the weighted average cost of capital.

Operating Leases

The Company leases retail store space, certain distribution and warehouse facilities, office space and other non-real estate assets under operating leases. Operating lease agreements may contain rent escalation clauses, rent holidays or certain landlord incentives, including tenant improvement allowances. Rent expense for non-cancelable operating leases with scheduled rent increases or landlord incentives are recognized on a straight-line basis over the lease term, beginning with the effective lease commencement date, which is generally the date in which the Company takes possession of or controls the physical use of the property. Certain leases also provide for contingent rents, which are determined as a percent of sales in excess of specified levels. A contingent rent liability is recognized together with the corresponding rent expense when specified levels have been achieved or when the Company determines that achieving the specified levels during the period is probable.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives and available-for-sale securities. Fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The Company uses a three-level hierarchy established by the Financial Accounting Standards Board ("FASB") that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach).

The levels of hierarchy are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most conservative level of input that is significant to the fair value measurement.

Pricing vendors are utilized for certain Level 1 and Level 2 investments. These vendors either provide a quoted market price in an active market or use observable inputs without applying significant adjustments in their pricing. Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities and credit risks. The fair value of derivative contracts is determined using observable market inputs such as the daily market foreign currency rates, forward pricing curves, currency volatilities, currency correlations and interest rates and considers nonperformance risk of the Company and that of its counterparties.

The Company's fair value processes include controls that are designed to ensure appropriate fair values are recorded. These controls include a comparison of fair values to another independent pricing vendor.

Refer to Note 6 — Fair Value Measurements for additional information.

Foreign Currency Translation and Foreign Currency Transactions

Adjustments resulting from translating foreign functional currency financial statements into U.S. Dollars are included in the foreign currency translation adjustment, a component of *Accumulated other comprehensive income* in *Total shareholders' equity*.

The Company's global subsidiaries have various assets and liabilities, primarily receivables and payables, which are denominated in currencies other than their functional currency. These balance sheet items are subject to re-measurement, the impact of which is recorded in *Other (income) expense, net*, within the Consolidated Statements of Income.

Accounting for Derivatives and Hedging Activities

The Company uses derivative financial instruments to reduce its exposure to changes in foreign currency exchange rates and interest rates. All derivatives are recorded at fair value on the Consolidated Balance Sheets and changes in the fair value of derivative financial instruments are either recognized in *Accumulated other comprehensive income* (a component of *Total shareholders' equity*), *Long-term debt* or *Net income* depending on the nature of the underlying exposure, whether the derivative is formally designated as a hedge and, if designated, the extent to which the hedge is effective. The Company classifies the cash flows at settlement from derivatives in the same category as the cash flows from the related hedged items. For undesignated hedges and designated cash flow hedges, this is primarily within the *Cash provided by operations* component of the Consolidated Statements of Cash Flows. For designated net investment hedges, this is within the *Cash used by investing activities* component of the Consolidated Statement of Cash Flows. For the Company's fair value hedges, which are interest rate swaps used to mitigate the change in fair value of its fixed-rate debt attributable to changes in interest rates, the related cash flows from periodic interest payments are reflected within the *Cash provided by operations* component of the Consolidated Statements of Cash Flows. Refer to Note 17 — Risk Management and Derivatives for more information on the Company's risk management program and derivatives.

Stock-Based Compensation

The Company estimates the fair value of options and stock appreciation rights granted under the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan") and employees' purchase rights under the Employee Stock Purchase Plans ("ESPPs") using the Black-Scholes option pricing model. The Company recognizes this fair value, net of estimated forfeitures, as *Operating overhead expense* in the Consolidated Statements of Income over the vesting period using the straight-line method.

Refer to Note 11 — Common Stock and Stock-Based Compensation for more information on the Company's stock programs.

Income Taxes

The Company accounts for income taxes using the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets to the amount management believes is more likely than not to be realized. United States income taxes are provided currently on financial statement earnings of non-U.S. subsidiaries that are expected to be repatriated. The Company determines annually the amount of undistributed non-U.S. earnings to invest indefinitely in its non-U.S. operations.

The Company recognizes a tax benefit from uncertain tax positions in the financial statements only when it is more likely than not that the position will be sustained upon examination by relevant tax authorities. The Company recognizes interest and penalties related to income tax matters in *Income tax expense*.

Refer to Note 9 — Income Taxes for further discussion.

Earnings Per Share

Basic earnings per common share is calculated by dividing *Net income* by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting weighted average outstanding shares, assuming conversion of all potentially dilutive stock options and awards.

Refer to Note 12 — Earnings Per Share for further discussion.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Adopted Accounting Standards

In July 2013, the FASB issued an accounting standards update intended to provide guidance on the presentation of unrecognized tax benefits, reflecting the manner in which an entity would settle, at the reporting date, any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses or tax credit carryforwards exist. This accounting standard was effective for the Company beginning June 1, 2014 and early adoption was permitted. Management early adopted this guidance and the adoption did not have a material impact on the Company's consolidated financial position or results of operations.

In July 2012, the FASB issued an accounting standards update intended to simplify how an entity tests indefinite-lived intangible assets other than goodwill for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This accounting standards update was effective for the Company beginning June 1, 2013. The adoption of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

In December 2011, the FASB issued guidance enhancing disclosure requirements surrounding the nature of an entity's right to offset and related arrangements associated with its financial instruments and derivative instruments. This new guidance requires companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to master netting arrangements. This new guidance was effective for the Company beginning June 1, 2013. As this guidance only requires expanded disclosures, the adoption had no impact on the Company's consolidated financial position or results of operations.

Recently Issued Accounting Standards

In May 2014, the FASB issued an accounting standards update that replaces existing revenue recognition guidance. The updated guidance requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Based on the FASB's decision in July 2015 to defer the effective date and to allow more flexibility with implementation, the Company anticipates the new standard will be effective for the Company beginning June 1, 2018. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company has not yet selected a transition method and is currently evaluating the effect the guidance will have on the Consolidated Financial Statements.

NOTE 2 — Inventories

Inventory balances of $4,337 million and $3,947 million at May 31, 2015 and 2014, respectively, were substantially all finished goods.

NOTE 3 — Property, Plant and Equipment

Property, plant and equipment, net included the following:

	As of May 31,	
(In millions)	2015	2014
Land	$ 273	$ 270
Buildings	1,250	1,261
Machinery, equipment and internal-use software	3,329	3,376
Leasehold improvements	1,150	1,066
Construction in process	350	247
Total property, plant and equipment, gross	6,352	6,220
Less accumulated depreciation	3,341	3,386
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	**$ 3,011**	**$ 2,834**

Capitalized interest was not material for the years ended May 31, 2015, 2014 and 2013. The Company had $5 million and $74 million in capital lease obligations as of May 31, 2015 and May 31, 2014, respectively, included in machinery, equipment and internal-use software. During the fiscal year ended May 31, 2015, the Company restructured the terms of certain capital leases, which now qualify as operating leases.

NOTE 4 — Identifiable Intangible Assets and Goodwill

Identifiable intangible assets, net consists of indefinite-lived trademarks, which are not subject to amortization, and acquired trademarks and other intangible assets, which are subject to amortization. At May 31, 2015 and 2014, indefinite-lived trademarks were $281 million and $282 million, respectively. Acquired trademarks and other intangible assets at May 31, 2015 and 2014 were $17 million and $39 million, respectively, and were fully amortized at the end of both periods. *Goodwill* was $131 million at May 31, 2015 and 2014 of which $65 million and $64 million were included in the Converse segment in the respective periods. The remaining amounts were included in Global Brand Divisions for segment reporting purposes. There were no accumulated impairment balances for goodwill as of either period end.

NOTE 5 — Accrued Liabilities

Accrued liabilities included the following:

	As of May 31,	
(In millions)	2015	2014
Compensation and benefits, excluding taxes	$ 997	$ 782
Collateral received from counterparties to hedging instruments	968	—
Endorsement compensation	388	328
Dividends payable	240	209
Import and logistics costs	207	127
Taxes other than income taxes	174	204
Fair value of derivatives	162	85
Advertising and marketing	117	133
Other[1]	698	623
TOTAL ACCRUED LIABILITIES	**$ 3,951**	**$ 2,491**

(1) Other consists of various accrued expenses with no individual item accounting for more than 5% of the total Accrued liabilities balance at May 31, 2015 and 2014.

NOTE 6 — Fair Value Measurements

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of May 31, 2015 and 2014 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. Refer to Note 1 — Summary of Significant Accounting Policies for additional detail regarding the Company's fair value measurement methodology.

	As of May 31, 2015			
(In millions)	Assets at Fair Value	Cash and Cash Equivalents	Short-term Investments	Other Long-term Assets
Cash	$ 615	$ 615	$ —	$ —
Level 1:				
U.S. Treasury securities	869	225	644	—
Level 2:				
Time deposits	684	684	—	—
U.S. Agency securities	976	110	866	—
Commercial paper and bonds	914	352	562	—
Money market funds	1,866	1,866	—	—
Total level 2	4,440	3,012	1,428	—
Level 3:				
Non-marketable preferred stock	8	—	—	8
TOTAL	**$ 5,932**	**$ 3,852**	**$ 2,072**	**$ 8**

	As of May 31, 2014			
(In millions)	Assets at Fair Value	Cash and Cash Equivalents	Short-term Investments	Other Long-term Assets
Cash	$ 780	$ 780	$ —	$ —
Level 1:				
U.S. Treasury securities	1,137	151	986	—
Level 2:				
Time deposits	227	227	—	—
U.S. Agency securities	1,027	25	1,002	—
Commercial paper and bonds	959	25	934	—
Money market funds	1,012	1,012	—	—
Total level 2	3,225	1,289	1,936	—
Level 3:				
Non-marketable preferred stock	7	—	—	7
TOTAL	**$ 5,149**	**$ 2,220**	**$ 2,922**	**$ 7**

The Company elects to record the gross assets and liabilities of its derivative financial instruments on the Consolidated Balance Sheets. The Company's derivative financial instruments are subject to master netting arrangements that allow for the offset of assets and liabilities in the event of default or early termination of the contract. Any amounts of cash collateral received related to these instruments associated with the Company's credit-related contingent features are recorded in *Cash and equivalents* and *Accrued liabilities*, the latter of which would further offset against the Company's derivative asset balance (refer to Note 17 — Risk Management and Derivatives). Cash collateral received related to the Company's credit related contingent features is presented in the *Cash provided by operations* component of the Consolidated Statement of Cash Flows. Any amounts of non-cash collateral received, such as securities, are not recorded on the Consolidated Balance Sheets pursuant to the accounting standards for non-cash collateral received.

The following tables present information about the Company's derivative assets and liabilities measured at fair value on a recurring basis as of May 31, 2015 and May 31, 2014, and indicate the level in the fair value hierarchy in which the Company classifies the fair value measurement.

	As of May 31, 2015					
	Derivative Assets			Derivative Liabilities		
(In millions)	Assets at Fair Value	Other Current Assets	Other Long-term Assets	Liabilities at Fair Value	Accrued Liabilities	Other Long-term Liabilities
Level 2:						
Foreign exchange forwards and options[(1)]	$ 1,554	$ 1,034	$ 520	$ 164	$ 160	$ 4
Embedded derivatives	7	2	5	11	2	9
Interest rate swaps[(2)]	78	78	—	—	—	—
TOTAL	**$ 1,639**	**$ 1,114**	**$ 525**	**$ 175**	**$ 162**	**$ 13**

(1) If the foreign exchange derivative instruments had been netted in the Consolidated Balance Sheets, the asset and liability positions each would have been reduced by $161 million as of May 31, 2015. As of that date, the Company had received $900 million of cash collateral and $74 million of securities from various counterparties related to these foreign exchange derivative instruments. No amount of collateral was posted on the Company's derivative liability balance as of May 31, 2015.

(2) As of May 31, 2015, the Company had received $68 million of cash collateral related to its interest rate swaps.

(In millions)	Derivative Assets: Assets at Fair Value	Derivative Assets: Other Current Assets	Derivative Assets: Other Long-term Assets	Derivative Liabilities: Liabilities at Fair Value	Derivative Liabilities: Accrued Liabilities	Derivative Liabilities: Other Long-term Liabilities
	As of May 31, 2014					
Level 2:						
Foreign exchange forwards and options(1)	$ 127	$ 101	$ 26	$ 85	$ 84	$ 1
Interest rate swaps	6	—	6	—	—	—
TOTAL	**$ 133**	**$ 101**	**$ 32**	**$ 85**	**$ 84**	**$ 1**

(1) If the foreign exchange derivative financial instruments had been netted in the Consolidated Balance Sheets, the asset and liability positions each would have been reduced by $63 million as of May 31, 2014. No amounts of collateral were received or posted on the Company's derivative assets and liabilities as of May 31, 2014.

Available-for-sale securities comprise investments in U.S. Treasury and Agency securities, money market funds, corporate commercial paper and bonds. These securities are valued using market prices on both active markets (Level 1) and less active markets (Level 2). The gross realized gains and losses on sales of available-for-sale securities were immaterial for the fiscal years ended May 31, 2015 and 2014. Unrealized gains and losses on available-for-sale securities included in *Other comprehensive income* were immaterial as of May 31, 2015 and 2014.

The Company regularly reviews its available-for-sale securities for other-than-temporary impairment. For the years ended May 31, 2015 and 2014, the Company did not consider its securities to be other-than-temporarily impaired and accordingly, did not recognize any impairment losses.

As of May 31, 2015, the Company held $1,808 million of available-for-sale securities with maturity dates within one year and $264 million with maturity dates over one year and less than five years within *Short-term investments* on the Consolidated Balance Sheets.

Included in *Interest expense (income), net* was interest income related to the Company's available-for-sale securities of $6 million, $5 million and $4 million for the years ended May 31, 2015, 2014 and 2013, respectively.

The Company's Level 3 assets comprise investments in certain non-marketable preferred stock. These Level 3 investments are an immaterial portion of the Company's portfolio. Changes in Level 3 investment assets were immaterial during the years ended May 31, 2015 and 2014.

Derivative financial instruments include foreign exchange forwards and options, embedded derivatives and interest rate swaps. Refer to Note 17 — Risk Management and Derivatives for additional detail.

No transfers among the levels within the fair value hierarchy occurred during the years ended May 31, 2015 or 2014.

As of May 31, 2015 and 2014, the Company had no assets or liabilities that were required to be measured at fair value on a non-recurring basis.

For fair value information regarding *Notes payable* and *Long-term debt*, refer to Note 7 — Short-Term Borrowings and Credit Lines and Note 8 — Long-Term Debt.

At May 31, 2015, the Company had $150 million of outstanding receivables related to its investments in reverse repurchase agreements recorded within *Prepaid expenses and other current assets* on the Consolidated Balance Sheet. The carrying amount of these agreements approximates their fair value based upon observable inputs other than quoted prices (Level 2). The reverse repurchase agreements are fully collateralized.

NOTE 7 — Short-Term Borrowings and Credit Lines

Notes payable and interest-bearing accounts payable to Sojitz Corporation of America ("Sojitz America") as of May 31, 2015 and 2014 are summarized below:

(Dollars in millions)	2015 Borrowings	2015 Interest Rate	2014 Borrowings	2014 Interest Rate
	As of May 31,			
Notes payable:				
U.S. operations	$ —	0.00%(1)	$ —	0.00%(1)
Non-U.S. operations	74	12.39%(1)	167	10.04%(1)
TOTAL NOTES PAYABLE	**$ 74**		**$ 167**	
Interest-bearing accounts payable:				
Sojitz America	$ 78	0.98%	$ 60	0.94%

(1) Weighted average interest rate includes non-interest bearing overdrafts.

The carrying amounts reflected in the Consolidated Balance Sheets for *Notes payable* approximate fair value.

The Company purchases through Sojitz America certain NIKE Brand products it acquires from non-U.S. suppliers. These purchases are for products sold in certain countries in the Company's Emerging Markets geographic operating segment and Canada, excluding products produced and sold in the same country. Accounts payable to Sojitz America are generally due up to 60 days after shipment of goods from the foreign port. The interest rate on such accounts payable is the 60-day London Interbank Offered Rate ("LIBOR") as of the beginning of the month of the invoice date, plus 0.75%.

As of May 31, 2015 and 2014, the Company had no amounts outstanding under its commercial paper program.

On November 1, 2011, the Company entered into a committed credit facility agreement with a syndicate of banks which provides for up to $1 billion of borrowings with the option to increase borrowings to $1.5 billion with lender approval. Following an extension agreement on September 17, 2013 between the Company and the syndicate of banks, the facility matures November 1, 2017. Based on the Company's current long-term senior unsecured debt ratings of AA- and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 0.445%. The facility fee is 0.055% of the total commitment. Under this committed credit facility, the Company must maintain, among other things, certain minimum specified financial ratios with which the Company was in compliance at May 31, 2015. No amounts were outstanding under this facility as of May 31, 2015 or 2014.

NOTE 8 — Long-Term Debt

Long-term debt, net of unamortized premiums and discounts and swap fair value adjustments, comprises the following:

Scheduled Maturity (Dollars and Yen in millions)	Original Principal	Interest Rate	Interest Payments	Book Value Outstanding As of May 31, 2015	2014
Corporate Bond Payables:(4)					
October 15, 2015(1)	$ 100	5.15%	Semi-Annually	$ 101	$ 108
May 1, 2023(5)	$ 500	2.25%	Semi-Annually	499	499
May 1, 2043(5)	$ 500	3.63%	Semi-Annually	499	499
Promissory Notes:					
April 1, 2017(2)	$ 40	6.20%	Monthly	39	39
January 1, 2018(2)	$ 19	6.79%	Monthly	19	19
Japanese Yen Notes:					
August 20, 2001 through November 20, 2020(3)	¥ 9,000	2.60%	Quarterly	20	29
August 20, 2001 through November 20, 2020(3)	¥ 4,000	2.00%	Quarterly	9	13
Total				1,186	1,206
Less current maturities				107	7
TOTAL LONG-TERM DEBT				**$ 1,079**	**$ 1,199**

(1) *The Company has entered into interest rate swap agreements whereby the Company receives fixed interest payments at the same rate as the note and pays variable interest payments based on the six -month LIBOR plus a spread. The swaps have the same notional amount and maturity date as the corresponding note. At May 31, 2015, the interest rates payable on these swap agreements ranged from approximately 0.3% to 0.5%.*

(2) *The Company assumed a total of $59 million in bonds payable as part of its agreement to purchase certain Corporate properties; this was treated as a non-cash financing transaction. The property serves as collateral for the debt. The purchase of these properties was accounted for as a business combination where the total consideration of $85 million was allocated to the land and buildings acquired; no other tangible or intangible assets or liabilities resulted from the purchase. The bonds mature in 2017 and 2018 and the Company does not have the ability to re-negotiate the terms of the debt agreements and would incur significant financial penalties if the notes were paid-off prior to maturity.*

(3) *NIKE Logistics YK assumed a total of ¥13.0 billion in loans as part of its agreement to purchase a distribution center in Japan, which serves as collateral for the loans. These loans mature in equal quarterly installments during the period August 20, 2001 through November 20, 2020.*

(4) *These senior unsecured obligations rank equally with the Company's other unsecured and unsubordinated indebtedness.*

(5) *The bonds are redeemable at the Company's option prior to February 1, 2023 and November 1, 2042, respectively, at a price equal to the greater of (i) 100% of the aggregate principal amount of the notes to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments, plus in each case, accrued and unpaid interest. Subsequent to February 1, 2023 and November 1, 2042, respectively, the bonds also feature a par call provision, which allows for the bonds to be redeemed at a price equal to 100% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest.*

The scheduled maturity of *Long-term debt* in each of the years ending May 31, 2016 through 2020 are $106 million, $44 million, $24 million, $6 million and $6 million, respectively, at face value.

The fair value of the Company's *Long-term debt*, including the current portion, was approximately $1,160 million at May 31, 2015 and $1,154 million at May 31, 2014. The fair value of *Long-term debt* is estimated based upon quoted prices of similar instruments (level 2).

NOTE 9 — Income Taxes

Income before income taxes is as follows:

(In millions)	Year Ended May 31, 2015	2014	2013
Income before income taxes:			
United States	$ 1,967	$ 3,066	$ 1,231
Foreign	2,238	478	2,025
TOTAL INCOME BEFORE INCOME TAXES	**$ 4,205**	**$ 3,544**	**$ 3,256**

The provision for income taxes is as follows:

	Year Ended May 31,		
(In millions)	2015	2014	2013
Current:			
United States			
Federal	$ 596	$ 259	$ 378
State	80	104	79
Foreign	369	499	442
Total	1,045	862	899
Deferred:			
United States			
Federal	(66)	19	(4)
State	(11)	(3)	(4)
Foreign	(36)	(27)	(86)
Total	(113)	(11)	(94)
TOTAL INCOME TAX EXPENSE	**$ 932**	**$ 851**	**$ 805**

A reconciliation from the U.S. statutory federal income tax rate to the effective income tax rate is as follows:

	Year Ended May 31,		
	2015	2014	2013
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	0.9%	1.8%	1.4%
Foreign earnings	-15.7%	2.2%	-11.8%
Deferred charge	0.9%	-14.6%	0.0%
Other, net	1.1%	-0.4%	0.1%
EFFECTIVE INCOME TAX RATE	**22.2%**	**24.0%**	**24.7%**

The effective tax rate from continuing operations for the year ended May 31, 2015 was 180 basis points lower than the effective tax rate from continuing operations for the year ended May 31, 2014 primarily due to the favorable resolution of audits in several jurisdictions.

The effective tax rate from continuing operations for the year ended May 31, 2014 was 70 basis points lower than the effective tax rate from continuing operations for the year ended May 31, 2013 primarily due to an increase in the amount of earnings from lower tax rate jurisdictions.

During the fourth quarter of the fiscal year ended May 31, 2014, the Company reached a resolution with the IRS on a U.S. Unilateral Advanced Pricing Agreement that covers intercompany transfer pricing for fiscal years 2011 through 2020. This agreement resulted in an increase in the effective tax rate due to a reduction in the Company's permanently reinvested foreign earnings, which was partially offset by a reduction in previously unrecognized tax benefits. It also resulted in a decrease in the effective tax rate due to the recognition of a deferred tax charge. The net result of the agreement did not have a material impact on the Company's effective income tax rate in fiscal 2014.

Deferred tax assets and (liabilities) comprise the following:

	As of May 31,	
(In millions)	2015	2014
Deferred tax assets:		
Allowance for doubtful accounts	$ 11	$ 11
Inventories	59	49
Sales return reserves	143	113
Deferred compensation	258	211
Stock-based compensation	179	162
Reserves and accrued liabilities	92	95
Net operating loss carry-forwards	10	16
Undistributed earnings of foreign subsidiaries	149	194
Other	76	51
Total deferred tax assets	977	902
Valuation allowance	(9)	(9)
Total deferred tax assets after valuation allowance	968	893
Deferred tax liabilities:		
Property, plant and equipment	(220)	(237)
Intangibles	(93)	(94)
Other	(38)	(2)
Total deferred tax liability	(351)	(333)
NET DEFERRED TAX ASSET	**$ 617**	**$ 560**

The following is a reconciliation of the changes in the gross balance of unrecognized tax benefits:

(In millions)	As of May 31, 2015	2014	2013
Unrecognized tax benefits, beginning of the period	$ 506	$ 447	$ 285
Gross increases related to prior period tax positions[(1)]	32	814	77
Gross decreases related to prior period tax positions[(1)]	(123)	(166)	(3)
Gross increases related to current period tax positions	82	125	130
Gross decreases related to current period tax positions	(9)	(30)	(9)
Settlements[(1)]	(27)	(676)	—
Lapse of statute of limitations	(10)	(4)	(21)
Changes due to currency translation	(13)	(4)	(12)
UNRECOGNIZED TAX BENEFITS, END OF THE PERIOD	**$ 438**	**$ 506**	**$ 447**

(1) During the fourth quarter of the fiscal year ended May 31, 2014, the Company reached a resolution with the IRS on a U.S. Unilateral Advanced Pricing Agreement that covers intercompany transfer pricing for fiscal years 2011 through 2020. As a result, the Company recorded a gross increase in unrecognized tax benefits related to prior period tax positions, a gross decrease in unrecognized tax benefits related to prior period tax positions and a settlement. The net impact of these items resulted in a decrease to unrecognized tax benefits.

As of May 31, 2015, total gross unrecognized tax benefits, excluding related interest and penalties, were $438 million, $260 million of which would affect the Company's effective tax rate if recognized in future periods.

The Company recognizes interest and penalties related to income tax matters in *Income tax expense*. The liability for payment of interest and penalties decreased $3 million during the year ended May 31, 2015, and increased $55 million and $4 million during the years ended May 31, 2014 and 2013, respectively. As of May 31, 2015 and 2014, accrued interest and penalties related to uncertain tax positions were $164 million and $167 million, respectively (excluding federal benefit).

The Company incurs tax liabilities primarily in the United States, China and the Netherlands, as well as various state and other foreign jurisdictions. The Company is currently under audit by the U.S. Internal Revenue Service (IRS) for the 2012 through 2014 tax years. The Company has closed all U.S. federal income tax matters through fiscal 2011, with the exception of the validation of foreign tax credits utilized. As previously disclosed, the Company received a statutory notice of deficiency for fiscal 2011 proposing an increase in tax of $31 million, subject to interest, related to the foreign tax credit matter. This notice also reported a decrease in foreign tax credit carryovers for fiscal 2010 and 2011. The Company has contested this deficiency notice by filing a petition with the U.S Tax Court in April 2015. The Company does not expect the outcome of this matter to have a material impact on the financial statements. No payments on the assessment would be required until the dispute is definitively resolved. Based on the information currently available, the Company does not anticipate a significant increase or decrease to its unrecognized tax benefits for this matter within the next 12 months.

The Company's major foreign jurisdictions, China, the Netherlands and Brazil, have concluded substantially all income tax matters through calendar 2005, fiscal 2009 and calendar 2008, respectively. Although the timing of resolution of audits is not certain, the Company evaluates all domestic and foreign audit issues in the aggregate, along with the expiration of applicable statutes of limitations, and estimates that it is reasonably possible the total gross unrecognized tax benefits could decrease by up to $63 million within the next 12 months.

The Company provides for U.S. income taxes on the undistributed earnings of foreign subsidiaries unless they are considered indefinitely reinvested outside the United States. At May 31, 2015, the indefinitely reinvested earnings in foreign subsidiaries upon which United States income taxes have not been provided were approximately $8.3 billion. If these undistributed earnings were repatriated to the United States, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, they would generate foreign tax credits that would reduce the federal tax liability associated with the foreign dividend or the otherwise taxable transaction. Assuming a full utilization of the foreign tax credits, the potential net deferred tax liability associated with these temporary differences of undistributed earnings would be approximately $2.7 billion at May 31, 2015.

A portion of the Company's foreign operations are benefiting from a tax holiday, which is set to expire in 2021. This tax holiday may be extended when certain conditions are met or may be terminated early if certain conditions are not met. The impact of this tax holiday decreased foreign taxes by $174 million, $138 million and $108 million for the fiscal years ended May 31, 2015, 2014 and 2013, respectively. The benefit of the tax holiday on diluted earnings per common share was $0.20, $0.15 and $0.12 for the fiscal years ended May 31, 2015, 2014 and 2013, respectively.

Deferred tax assets at May 31, 2015 and 2014 were reduced by a valuation allowance relating to tax benefits of certain subsidiaries with operating losses. There was no net change in the valuation allowance for the year ended May 31, 2015 compared to a net increase of $4 million and a net decrease of $22 million for the years ended May 31, 2014 and 2013, respectively.

The Company has available domestic and foreign loss carry-forwards of $36 million at May 31, 2015. Such losses will expire as follows:

(In millions)	Year Ending May 31, 2016	2017	2018	2019	2020-2035	Indefinite	Total
Net operating losses	$ —	$ —	$ 4	$ 1	$ 17	$ 14	$ 36

During the years ended May 31, 2015, 2014 and 2013, income tax benefits attributable to employee stock-based compensation transactions of $224 million, $135 million and $76 million, respectively, were allocated to *Total shareholders' equity*.

NOTE 10 — Redeemable Preferred Stock

Sojitz America is the sole owner of the Company's authorized redeemable preferred stock, $1 par value, which is redeemable at the option of Sojitz America or the Company at par value aggregating $0.3 million. A cumulative dividend of $0.10 per share is payable annually on May 31 and no dividends may be declared or paid on the common stock of the Company unless dividends on the redeemable preferred stock have been declared and paid in full. There have been no changes in the redeemable preferred stock in the three years ended May 31, 2015, 2014 and 2013. As the holder of the redeemable preferred stock, Sojitz America does not have general voting rights, but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States. The redeemable preferred stock has been fully issued to Sojitz America and is not blank check preferred stock. The Company's articles of incorporation do not permit the issuance of additional preferred stock.

NOTE 11 — Common Stock and Stock-Based Compensation

The authorized number of shares of Class A Common Stock, no par value, and Class B Common Stock, no par value, are 200 million and 1,200 million, respectively. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors. There are no differences in the dividend and liquidation preferences or participation rights of the Class A and Class B common shareholders.

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan, as amended, provides for the issuance of up to 326 million previously unissued shares of Class B Common Stock in connection with stock options and other awards granted under the plan. The 1990 Plan authorizes the grant of non-statutory stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and performance-based awards. The exercise price for stock options and stock appreciation rights may not be less than the fair market value of the underlying shares on the date of grant. A committee of the Board of Directors administers the 1990 Plan. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards and the other terms and conditions of the awards. Substantially all stock option grants outstanding under the 1990 Plan were granted in the first quarter of each fiscal year, vest ratably over four years and expire 10 years from the date of grant.

The following table summarizes the Company's total stock-based compensation expense recognized in *Operating overhead expense*:

	Year Ended May 31,		
(In millions)	2015	2014	2013
Stock options(1)	$ 136	$ 125	$ 123
ESPPs	24	22	19
Restricted stock	31	30	32
TOTAL STOCK-BASED COMPENSATION EXPENSE	**$ 191**	**$ 177**	**$ 174**

(1) Expense for stock options includes the expense associated with stock appreciation rights. Accelerated stock option expense is recorded for employees eligible for accelerated stock option vesting upon retirement. Accelerated stock option expense for the years ended May 31, 2015, 2014 and 2013 was $19 million, $15 million and $22 million, respectively.

As of May 31, 2015, the Company had $180 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized in *Operating overhead expense* over a weighted average period of 1.9 years.

The weighted average fair value per share of the options granted during the years ended May 31, 2015, 2014 and 2013, as computed using the Black-Scholes pricing model, was $16.95, $14.89 and $12.71, respectively. The weighted average assumptions used to estimate these fair values are as follows:

	Year Ended May 31,		
	2015	2014	2013
Dividend yield	1.2%	1.3%	1.5%
Expected volatility	23.6%	27.9%	35.0%
Weighted average expected life (in years)	5.8	5.3	5.3
Risk-free interest rate	1.7%	1.3%	0.6%

The Company estimates the expected volatility based on the implied volatility in market traded options on the Company's common stock with a term greater than one year, along with other factors. The weighted average expected life of options is based on an analysis of historical and expected future exercise patterns. The interest rate is based on the U.S. Treasury (constant maturity) risk-free rate in effect at the date of grant for periods corresponding with the expected term of the options.

The following summarizes the stock option transactions under the plan discussed above:

	Shares(1) *(In millions)*	Weighted Average Option Price
Options outstanding May 31, 2012	64.3	$ 30.59
Exercised	(9.9)	24.70
Forfeited	(1.3)	40.14
Granted	14.6	46.55
Options outstanding May 31, 2013	67.7	$ 34.72
Exercised	(11.0)	28.29
Forfeited	(1.3)	48.33
Granted	8.1	63.54
Options outstanding May 31, 2014	63.5	$ 39.28
Exercised	(13.6)	30.78
Forfeited	(1.0)	59.02
Granted	9.2	77.68
Options outstanding May 31, 2015	58.1	$ 47.00
Options exercisable at May 31,		
2013	35.9	$ 27.70
2014	37.0	31.42
2015	34.3	36.53

(1) Includes stock appreciation rights transactions.

The weighted average contractual life remaining for options outstanding and options exercisable at May 31, 2015 was 6.0 years and 4.7 years, respectively. The aggregate intrinsic value for options outstanding and exercisable at May 31, 2015 was $3,178 million and $2,235 million, respectively. The aggregate intrinsic value was the amount by which the market value of the underlying stock exceeded the exercise price of the options. The total intrinsic value of the options exercised during the years ended May 31, 2015, 2014 and 2013 was $795 million, $474 million and $293 million, respectively.

In addition to the 1990 Plan, the Company gives employees the right to purchase shares at a discount to the market price under employee stock purchase plans ("ESPPs"). Employees are eligible to participate through payroll deductions of up to 10% of their compensation. At the end of each six -month offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period. Employees purchased 1.4 million, 1.4 million and 1.6 million shares during each of the three years ended May 31, 2015, 2014 and 2013, respectively.

From time to time, the Company grants restricted stock and restricted stock units to key employees under the 1990 Plan. The number of shares underlying such awards granted to employees during the years ended May 31, 2015, 2014 and 2013 were 0.3 million, 0.3 million and 1.6 million, respectively, with weighted average values per share of $79.38, $63.89 and $46.86, respectively. Recipients of restricted stock are entitled to cash dividends and to vote their respective shares throughout the period of restriction. Recipients of restricted stock units are entitled to dividend equivalent cash payments upon vesting. The value of all grants of restricted stock and restricted stock units was established by the market price on the date of grant. During the years ended May 31, 2015, 2014 and 2013, the aggregate fair value of restricted stock and restricted stock units vested was $20 million, $28 million and $25 million, respectively, determined as of the date of vesting. As of May 31, 2015, the Company had $48 million of unrecognized compensation costs from restricted stock units to be recognized in *Operating overhead expense* over a weighted average period of 1.5 years.

NOTE 12 — Earnings Per Share

The following is a reconciliation from Basic earnings per common share to Diluted earnings per common share. The computation of Diluted earnings per common share omitted options to purchase an additional 0.1 million, 0.1 million and 0.1 million shares of common stock outstanding for the years ended May 31, 2015, 2014 and 2013, respectively, because the options were anti-dilutive.

	Year Ended May 31,		
(In millions, except per share data)	2015	2014	2013
Determination of shares:			
Weighted average common shares outstanding	861.7	883.4	897.3
Assumed conversion of dilutive stock options and awards	22.7	22.4	19.1
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**884.4**	**905.8**	**916.4**
Earnings per common share from continuing operations:			
Basic	$ 3.80	$ 3.05	$ 2.74
Diluted	$ 3.70	$ 2.97	$ 2.68
Earnings per common share from discontinued operations:			
Basic	$ —	$ —	$ 0.02
Diluted	$ —	$ —	$ 0.02
Basic earnings per common share for NIKE, Inc.	$ 3.80	$ 3.05	$ 2.76
Diluted earnings per common share for NIKE, Inc.	$ 3.70	$ 2.97	$ 2.70

NOTE 13 — Benefit Plans

The Company has a qualified 401(k) Savings and Profit Sharing Plan to which all U.S. employees who work at least 1,000 hours in a year are able to participate. The Company matches a portion of employee contributions. Company contributions to the savings plan were $58 million, $51 million and $46 million for the years ended May 31, 2015, 2014 and 2013, respectively, and are included in *Operating overhead expense*. The terms of the plan also allow for annual discretionary profit sharing contributions to the accounts of eligible employees by the Company as determined by the Board of Directors. Contributions of $58 million, $49 million and $47 million were made to the plan and are included in *Operating overhead expense* for the years ended May 31, 2015, 2014 and 2013, respectively.

The Company also has a Long-Term Incentive Plan ("LTIP") that was adopted by the Board of Directors and approved by shareholders in September 1997 and later amended in fiscal 2007. The Company recognized $68 million, $46 million and $50 million of *Operating overhead expense* related to cash awards under the LTIP during the years ended May 31, 2015, 2014 and 2013, respectively.

The Company allows certain highly compensated employees and non-employee directors of the Company to defer compensation under a nonqualified deferred compensation plan. Deferred compensation plan liabilities were $443 million and $390 million at May 31, 2015 and 2014, respectively, and primarily classified as long-term in *Deferred income taxes and other liabilities*.

The Company has pension plans in various countries worldwide. The pension plans are only available to local employees and are generally government mandated. The liability related to the unfunded pension liabilities of the plans was $98 million and $100 million at May 31, 2015 and May 31, 2014, respectively, which was primarily classified as long-term in *Deferred income taxes and other liabilities*.

NOTE 14 — Accumulated Other Comprehensive Income

The changes in *Accumulated other comprehensive income*, net of tax, were as follows:

(In millions)	Foreign Currency Translation Adjustment[1]	Cash Flow Hedges	Net Investment Hedges[1]	Other	Total
Balance at May 31, 2014	**$ 9**	**$ 32**	**$ 95**	**$ (51)**	**$ 85**
Other comprehensive gains (losses) before reclassifications[2]	(20)	1,447	—	33	1,460
Reclassifications to net income of previously deferred (gains) losses[3]	—	(259)	—	(40)	(299)
Other comprehensive income (loss)	(20)	1,188	—	(7)	1,161
Balance at May 31, 2015	**$ (11)**	**$ 1,220**	**$ 95**	**$ (58)**	**$ 1,246**

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax benefit (expense) of $ 0 million, $ (33) million, $ 0 million, $ 0 million and $ (33) million, respectively.

(3) Net of tax (benefit) expense of $ 0 million, $ 2 million, $ 0 million, $ 0 million and $ 2 million, respectively.

(In millions)	Foreign Currency Translation Adjustment[1]	Cash Flow Hedges	Net Investment Hedges[1]	Other	Total
Balance at May 31, 2013	**$ 41**	**$ 193**	**$ 95**	**$ (55)**	**$ 274**
Other comprehensive gains (losses) before reclassifications[2]	(32)	(134)	—	—	(166)
Reclassifications to net income of previously deferred (gains) losses[3]	—	(27)	—	4	(23)
Other comprehensive income (loss)	(32)	(161)	—	4	(189)
Balance at May 31, 2014	**$ 9**	**$ 32**	**$ 95**	**$ (51)**	**$ 85**

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax benefit (expense) of $ 0 million, $ 9 million, $ 0 million, $ 0 million and $ 9 million, respectively.

(3) Net of tax (benefit) expense of $ 0 million, $ 9 million, $ 0 million, $ 0 million and $ 9 million respectively.

The following table summarizes the reclassifications from *Accumulated other comprehensive income* to the Consolidated Statements of Income:

(In millions)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income — Year Ended May 31, 2015	2014	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income
Gains (losses) on cash flow hedges:			
Foreign exchange forwards and options	$ (95)	$ 14	Revenues
Foreign exchange forwards and options	220	12	Cost of sales
Foreign exchange forwards and options	—	—	Total selling and administrative expense
Foreign exchange forwards and options	136	10	Other (income) expense, net
Total before tax	261	36	
Tax expense	(2)	(9)	
Gain, net of tax	**259**	**27**	
Gains (losses) on other	40	(4)	Other (income) expense, net
Total before tax	40	(4)	
Tax expense	—	—	
Gain (loss), net of tax	**40**	**(4)**	
Total net gain reclassified for the period	**$ 299**	**$ 23**	

Refer to Note 17 — Risk Management and Derivatives for more information on the Company's risk management program and derivatives.

NOTE 15 — Discontinued Operations

During the year ended May 31, 2013, the Company divested of Umbro and Cole Haan, allowing it to focus its resources on driving growth in the NIKE, Jordan, Converse and Hurley brands.

On February 1, 2013, the Company completed the sale of Cole Haan to Apax Partners for an agreed upon purchase price of $570 million and received at closing $561 million, net of $9 million of purchase price adjustments. The transaction resulted in a gain on sale of $231 million, net of $137 million in *Income tax expense*; this gain is included in the *Net income from discontinued operations* line item on the Consolidated Statements of Income. There were no adjustments to these recorded amounts as of May 31, 2015. Beginning November 30, 2012, the Company classified the Cole Haan disposal group as held-for-sale and presented the results of Cole Haan's operations in the *Net income from discontinued operations* line item on the Consolidated Statements of Income. From this date until the sale, the assets and liabilities of Cole Haan were recorded in the *Assets of discontinued operations* and

Liabilities of discontinued operations line items on the Consolidated Balance Sheets, respectively. Previously, these amounts were reported in the Company's operating segment presentation as "Other Businesses."

Under the sale agreement, the Company agreed to provide certain transition services to Cole Haan for an expected period of 3 to 9 months from the date of sale. These services were essentially complete as of May 31, 2013 and the Company has had no significant involvement with Cole Haan beyond the transition services. The Company has also licensed NIKE proprietary Air and Lunar technologies to Cole Haan for a transition period. The continuing cash flows related to these items are not significant to Cole Haan. Additionally, preexisting guarantees of certain Cole Haan lease payments remained in place after the sale; the maximum exposure under the guarantees is $23 million at May 31, 2015. The fair value of the guarantees is not material.

On November 30, 2012, the Company completed the sale of certain assets of Umbro to Iconix Brand Group ("Iconix") for $225 million. The Umbro disposal group was classified as held-for-sale as of November 30, 2012 and the results of Umbro's operations are presented in the *Net income from discontinued operations* line item on the Consolidated Statements of Income. The liabilities of Umbro were recorded in the *Liabilities of discontinued operations* line items on the Consolidated Balance Sheets. Previously, these amounts were reported in the Company's operating segment presentation as "Other Businesses." Upon meeting the held-for-sale criteria, the Company recorded a loss of $107 million, net of tax, on the sale of Umbro and the loss is included in the *Net income from discontinued operations* line item on the Consolidated Statements of Income. The loss on sale was calculated as the net sales price less Umbro assets of $248 million, including intangibles, goodwill and fixed assets, other miscellaneous charges of $22 million and the release of the associated cumulative translation adjustment of $129 million. The tax benefit on the loss was $67 million. There were no adjustments to these recorded amounts as of May 31, 2015.

Summarized results of the Company's discontinued operations are as follows:

	Year Ended May 31,		
(In millions)	2015	2014	2013
Revenues	$ —	$ —	$ 523
Income before income taxes	—	—	108
Income tax expense	—	—	87
NET INCOME FROM DISCONTINUED OPERATIONS	**$ —**	**$ —**	**$ 21**

There were no assets or liabilities of discontinued operations as of May 31, 2015 and May 31, 2014.

NOTE 16 — Commitments and Contingencies

The Company leases space for certain of its offices, warehouses and retail stores under leases expiring from 1 to 19 years after May 31, 2015. Rent expense was $594 million, $533 million and $482 million for the years ended May 31, 2015, 2014 and 2013, respectively. Amounts of minimum future annual commitments under non-cancelable operating and capital leases are as follows (in millions):

	2016	2017	2018	2019	2020	Thereafter	Total
Operating leases	$ 447	$ 423	$ 371	$ 311	$ 268	$ 1,154	$ 2,974
Capital leases	$ 2	$ 2	$ 1	$ —	$ —	$ —	$ 5

As of May 31, 2015 and 2014, the Company had letters of credit outstanding totaling $165 million and $135 million, respectively. These letters of credit were generally issued for the purchase of inventory and guarantees of the Company's performance under certain self-insurance and other programs.

In connection with various contracts and agreements, the Company provides routine indemnification relating to the enforceability of intellectual property rights, coverage for legal issues that arise and other items where the Company is acting as the guarantor. Currently, the Company has several such agreements in place. However, based on the Company's historical experience and the estimated probability of future loss, the Company has determined that the fair value of such indemnification is not material to the Company's financial position or results of operations.

In the ordinary course of its business, the Company is involved in various legal proceedings involving contractual and employment relationships, product liability claims, trademark rights and a variety of other matters. While the Company cannot predict the outcome of its pending legal matters with certainty, the Company does not believe any currently identified claim, proceeding or litigation, either individually or in aggregate, will have a material impact on the Company's results of operations, financial position or cash flows.

NOTE 17 — Risk Management and Derivatives

The Company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates, and uses derivatives to manage financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading or speculative purposes.

The Company may elect to designate certain derivatives as hedging instruments under the accounting standards for derivatives and hedging. The Company formally documents all relationships between designated hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivatives designated as hedges to either recognized assets or liabilities or forecasted transactions.

The majority of derivatives outstanding as of May 31, 2015 are designated as foreign currency cash flow hedges primarily for Euro/U.S. Dollar, British Pound/Euro and Japanese Yen/U.S. Dollar currency pairs. All derivatives are recognized on the Consolidated Balance Sheets at fair value and classified based on the instrument's maturity date.

The following table presents the fair values of derivative instruments included within the Consolidated Balance Sheets as of May 31, 2015 and 2014:

	Asset Derivatives			Liability Derivatives		
(In millions)	Balance Sheet Location	2015	2014	Balance Sheet Location	2015	2014
Derivatives formally designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	$ 825	$ 76	Accrued liabilities	$ 140	$ 57
Interest rate swaps	Prepaid expenses and other current assets	78	—	Accrued liabilities	—	—
Foreign exchange forwards and options	Deferred income taxes and other assets	520	26	Deferred income taxes and other liabilities	4	1
Interest rate swaps	Deferred income taxes and other assets	—	6	Deferred income taxes and other liabilities	—	—
Total derivatives formally designated as hedging instruments		1,423	108		144	58
Derivatives not designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	209	25	Accrued liabilities	20	27
Embedded derivatives	Prepaid expenses and other current assets	2	—	Accrued liabilities	2	—
Embedded derivatives	Deferred income taxes and other assets	5	—	Deferred income taxes and other liabilities	9	—
Total derivatives not designated as hedging instruments		216	25		31	27
TOTAL DERIVATIVES		**$ 1,639**	**$ 133**		**$ 175**	**$ 85**

The following tables present the amounts affecting the Consolidated Statements of Income for years ended May 31, 2015, 2014 and 2013:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives[(1)]			Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income[(1)]			
	Year Ended May 31,			Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income Into Income[(1)]	Year Ended May 31,		
(In millions)	2015	2014	2013		2015	2014	2013
Derivatives designated as cash flow hedges:							
Foreign exchange forwards and options	$ (202)	$ (48)	$ 42	Revenues	$ (95)	$ 14	$ (19)
Foreign exchange forwards and options	1,109	(78)	67	Cost of sales	220	12	113
Foreign exchange forwards and options	—	4	(3)	Total selling and administrative expense	—	—	2
Foreign exchange forwards and options	497	(21)	33	Other (income) expense, net	136	10	9
Interest rate swaps	76	—	—	Interest expense (income), net	—	—	—
Total designated cash flow hedges	$1,480	$(143)	$ 139		$261	$ 36	$105
Derivatives designated as net investment hedges:							
Foreign exchange forwards and options	$ —	$ —	$ —	Other (income) expense, net	$ —	$ —	$ —

(1) *For the years ended May 31, 2015, 2014 and 2013, the amounts recorded in Other (income) expense, net as a result of hedge ineffectiveness and the discontinuance of cash flow hedges because the forecasted transactions were no longer probable of occurring were immaterial.*

	Amount of Gain (Loss) Recognized in Income on Derivatives			Location of Gain (Loss) Recognized in Income on Derivatives
	Year Ended May 31,			
(In millions)	2015	2014	2013	
Derivatives designated as fair value hedges:				
Interest rate swaps[(1)]	$ 5	$ 5	$ 5	Interest expense (income), net
Derivatives not designated as hedging instruments:				
Foreign exchange forwards and options	$ 611	$ (75)	$ 51	Other (income) expense, net
Embedded derivatives	$ (1)	$ (1)	$ (4)	Other (income) expense, net

(1) *All interest rate swaps designated as fair value hedges meet the shortcut method requirements under the accounting standards for derivatives and hedging. Accordingly, changes in the fair values of the interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. Refer to "Fair Value Hedges" in this note for additional detail.*

Refer to Note 6 — Fair Value Measurements for a description of how the above financial instruments are valued and Note 14 — Accumulated Other Comprehensive Income and the Consolidated Statements of Shareholders' Equity for additional information on changes in *Other comprehensive income* for the years ended May 31, 2015, 2014 and 2013.

Cash Flow Hedges

The purpose of the Company's foreign exchange risk management program is to lessen both the positive and negative effects of currency fluctuations on the Company's consolidated results of operations, financial position and cash flows. Foreign currency exposures that the Company may elect to hedge in this manner include product cost exposures, non-functional currency denominated external and intercompany revenues, selling and administrative expenses, investments in U.S. Dollar-denominated available-for-sale debt securities and certain other intercompany transactions.

Product cost exposures are primarily generated through non-functional currency denominated product purchases and the foreign currency adjustment program described below. NIKE entities primarily purchase products in two ways: (1) Certain NIKE entities, including those supporting the Company's North America, Greater China, Japan and European geographies, purchase product from the NIKE Trading Company ("NTC"), a wholly owned sourcing hub that buys NIKE branded products from third party factories, predominantly in U.S. Dollars. The NTC, whose functional currency is the U.S. Dollar, then sells the products to NIKE entities in their respective functional currencies. When the NTC sells to a NIKE entity with a different functional currency, the result is a foreign currency exposure for the NTC. (2) Other NIKE entities purchase product directly from third party factories in U.S. Dollars. These purchases generate a foreign currency exposure for those NIKE entities with a functional currency other than the U.S. Dollar.

The Company operates a foreign currency adjustment program with certain factories. The program is designed to more effectively manage foreign currency risk by assuming certain of the factories' foreign currency exposures, some of which are natural offsets to the Company's existing foreign currency exposures. Under this program, the Company's payments to these factories are adjusted for rate fluctuations in the basket of currencies ("factory currency exposure index") in which the labor, materials and overhead costs incurred by the factories in the production of NIKE branded products ("factory input costs") are denominated. For the portion of the indices denominated in the local or functional currency of the factory, the Company may elect to place formally designated cash flow hedges. For all currencies within the indices, excluding the U.S. Dollar and the local or functional currency of the factory, an embedded derivative contract is created upon the factory's acceptance of NIKE's purchase order. Embedded derivative contracts are separated from the related purchase order, and their accounting treatment is described further below.

The Company's policy permits the utilization of derivatives to reduce its foreign currency exposures where internal netting or other strategies cannot be effectively employed. Typically the Company may enter into hedge contracts starting up to 12 to 24 months in advance of the forecasted transaction and may place incremental hedges up to 100% of the exposure by the time the forecasted transaction occurs. The total notional amount of outstanding foreign currency derivatives designated as cash flow hedges was $14.4 billion as of May 31, 2015.

During the year ended May 31, 2015, the Company entered into a series of forward-starting interest rate swap agreements with a total notional amount of $1 billion. These instruments were designated as cash flow hedges of the variability in the expected cash outflows of interest payments on future debt due to changes in benchmark interest rates.

All changes in fair value of derivatives designated as cash flow hedges, excluding any ineffective portion, are recorded in *Other comprehensive income* until *Net income* is affected by the variability of cash flows of the hedged transaction. In most cases, amounts recorded in *Other comprehensive income* will be released to *Net income* in periods following the maturity of the related derivative, rather than at maturity. Effective hedge results are classified within the Consolidated Statements of Income in the same manner as the underlying exposure, with the results of hedges of non-functional currency denominated revenues and product cost exposures, excluding embedded derivatives as described below, recorded in *Revenues* or *Cost of sales*, when the underlying hedged transaction affects consolidated *Net income*. Results of hedges of selling and administrative expense are recorded together with those costs when the related expense is recorded. Amounts recorded in *Other comprehensive income* related to forward-starting interest rate swaps will be released through *Interest expense (income), net* over the term of the issued debt. Results of hedges of anticipated purchases and sales of U.S. Dollar-denominated available-for-sale securities are recorded in *Other (income) expense, net* when the securities are sold. Results of hedges of certain anticipated intercompany transactions are recorded in *Other (income) expense, net* when the transaction occurs. The Company classifies the cash flows at settlement from these designated cash flow hedge derivatives in the same category as the cash flows from the related hedged items, primarily within the *Cash provided by operations* component of the Consolidated Statements of Cash Flows.

Premiums paid on options are initially recorded as deferred charges. The Company assesses the effectiveness of options based on the total cash flows method and records total changes in the options' fair value to *Other comprehensive income* to the degree they are effective.

The Company formally assesses, both at a hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Effectiveness for cash flow hedges is assessed based on changes in forward rates. Ineffectiveness was immaterial for the years ended May 31, 2015, 2014 and 2013.

The Company discontinues hedge accounting prospectively when: (1) it determines that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, but is expected to occur within an additional two-month period of time thereafter, the gain or loss on the derivative remains in *Accumulated other comprehensive income* and is reclassified to *Net income* when the forecasted transaction affects consolidated *Net income*. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in *Other comprehensive income* will be recognized immediately in *Other (income) expense, net*. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the Consolidated Balance Sheets, recognizing future changes in the fair value in *Other (income) expense, net*. For the years ended May 31, 2015, 2014 and 2013, the amounts recorded in *Other (income) expense, net* as a result of the discontinuance of cash flow hedging because the forecasted transaction was no longer probable of occurring were immaterial.

As of May 31, 2015, $685 million of deferred net gains (net of tax) on both outstanding and matured derivatives accumulated in *Other comprehensive income* are expected to be reclassified to *Net income* during the next 12 months concurrent with the underlying hedged transactions also being recorded in *Net income*. Actual amounts ultimately reclassified to *Net income* are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of May 31, 2015, the maximum term over which the Company is hedging exposures to the variability of cash flows for its forecasted transactions was 36 months.

Fair Value Hedges

The Company is also exposed to the risk of changes in the fair value of certain fixed-rate debt attributable to changes in interest rates. Derivatives currently used by the Company to hedge this risk are receive-fixed, pay-variable interest rate swaps. All interest rate swaps designated as fair value hedges of the related long-term debt meet the shortcut method requirements under the accounting standards for derivatives and hedging. Accordingly, changes in the fair values of the interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. The cash flows associated with the Company's fair value hedges are periodic interest payments while the swaps are outstanding, which are reflected within the *Cash provided by operations* component of the Consolidated Statements of Cash Flows. The Company recorded no ineffectiveness from its interest rate swaps designated as fair value hedges for the years ended May 31, 2015, 2014 or 2013. As of May 31, 2015, interest rate swaps designated as fair value hedges had a total notional amount of $100 million.

Net Investment Hedges

The Company has, in the past, hedged and may, in the future, hedge the risk of variability in foreign-currency-denominated net investments in wholly-owned international operations. All changes in fair value of the derivatives designated as net investment hedges, except ineffective portions, are reported as a component of *Other comprehensive income* along with the foreign currency translation adjustments on those investments. The Company classifies the cash flows at settlement of its net investment hedges within the *Cash used by investing activities* component of the Consolidated Statement of Cash Flows. The Company assesses hedge effectiveness based on changes in forward rates. The Company recorded no ineffectiveness from its net investment hedges for the years ended May 31, 2015, 2014 or 2013. The Company had no outstanding net investment hedges as of May 31, 2015.

Undesignated Derivative Instruments

The Company may elect to enter into foreign exchange forwards to mitigate the change in fair value of specific assets and liabilities on the balance sheet and/or the embedded derivative contracts explained below. These forwards are not designated as hedging instruments under the accounting standards for derivatives and hedging. Accordingly, these undesignated instruments are recorded at fair value as a derivative asset or liability on the Consolidated Balance Sheets with their corresponding change in fair value recognized in *Other (income) expense, net*, together with the re-measurement gain or loss from the hedged balance sheet position or embedded derivative contract. The Company classifies the cash flows at settlement from undesignated instruments within the *Cash provided by operations* component of the Consolidated Statements of Cash Flows. The total notional amount of outstanding undesignated derivative instruments was $4.4 billion as of May 31, 2015.

Embedded Derivatives

As part of the foreign currency adjustment program described above, an embedded derivative contract is created upon the factory's acceptance of NIKE's purchase order for currencies within the factory currency exposure indices that are neither the U.S. Dollar nor the local or functional currency of the factory. Embedded derivative contracts are treated as foreign currency forward contracts that are bifurcated from the related purchase order and recorded at fair value as a derivative asset or liability on the Consolidated Balance Sheets with their corresponding change in fair value recognized in *Other (income) expense, net*, from the date a purchase order is accepted by a factory through the date the purchase price is no longer subject to foreign currency fluctuations.

In addition, the Company has entered into certain other contractual agreements which have payments that are indexed to currencies that are not the functional currency of either substantial party to the contracts. These payment terms expose NIKE to variability in foreign exchange rates and create embedded derivative contracts that must be bifurcated from the related contract and recorded at fair value as derivative assets or liabilities on the Consolidated Balance Sheets with their corresponding changes in fair value recognized in *Other (income) expense, net* until each payment is settled.

At May 31, 2015, the notional amount of all embedded derivatives outstanding was approximately $205 million.

Credit Risk

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established strict counterparty credit guidelines that are continually monitored.

The Company's derivative contracts contain credit risk related contingent features designed to protect against significant deterioration in counterparties' creditworthiness and their ultimate ability to settle outstanding derivative contracts in the normal course of business. The Company's bilateral credit related contingent features generally require the owing entity, either the Company or the derivative counterparty, to post collateral for the portion of the fair value in excess of $50 million should the fair value of outstanding derivatives per counterparty be greater than $50 million. Additionally, a certain level of decline in credit rating of either the Company or the counterparty could also trigger collateral requirements. As of May 31, 2015, the Company was in compliance with all credit risk related contingent features and had derivative instruments with credit risk related contingent features in a net liability position of $4 million. Accordingly, the Company was not required to post any collateral as a result of these contingent features. Further, as of May 31, 2015, the Company had received $968 million of cash collateral and $74 million of securities from various counterparties to its derivative contracts (refer to Note 6 — Fair Value Measurements). Given the considerations described above, the Company considers the impact of the risk of counterparty default to be immaterial.

NOTE 18 — Operating Segments and Related Information

The Company's operating segments are evidence of the structure of the Company's internal organization. The NIKE Brand segments are defined by geographic regions for operations participating in NIKE Brand sales activity.

Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company's reportable operating segments for the NIKE Brand are: North America, Western Europe, Central & Eastern Europe, Greater China, Japan and Emerging Markets, and include results for the NIKE, Jordan and Hurley brands. The Company's NIKE Brand Direct to Consumer operations are managed within each geographic operating segment. Converse is also a reportable segment for NIKE, Inc., and operates in one industry: the design, marketing, licensing and selling of casual sneakers, apparel and accessories.

Global Brand Divisions is included within the NIKE Brand for presentation purposes to align with the way management views the Company. Global Brand Divisions primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment, and demand creation, operating overhead and product creation and design expenses that are centrally managed for the NIKE Brand.

Corporate consists largely of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to the Company's headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses, including certain hedge gains and losses.

The primary financial measure used by the Company to evaluate performance of individual operating segments is earnings before interest and taxes (commonly referred to as "EBIT"), which represents *Net income* before *Interest expense (income), net* and *Income tax expense* in the Consolidated Statements of Income. Reconciling items for EBIT represent corporate expense items that are not allocated to the operating segments for management reporting.

As part of the Company's centrally managed foreign exchange risk management program, standard foreign currency rates are assigned twice per year to each NIKE Brand entity in the Company's geographic operating segments and to Converse. These rates are set approximately nine months in advance of the future selling season based on average market spot rates in the calendar month preceding the date they are established. *Inventories* and *Cost of sales* for geographic operating segments and Converse reflect use of these standard rates to record non-functional currency product purchases in the entity's functional currency. Differences between assigned standard foreign currency rates and actual market rates are included in Corporate, together with foreign currency hedge gains and losses generated from the Company's centrally managed foreign exchange risk management program and other conversion gains and losses.

Accounts receivable, net, *Inventories* and *Property, plant and equipment, net* for operating segments are regularly reviewed by management and are therefore provided below. Additions to long-lived assets as presented in the following table represent capital expenditures.

Certain prior year amounts have been reclassified to conform to fiscal 2015 presentation.

(In millions)	Year Ended May 31, 2015	2014	2013
REVENUES			
North America	$ 13,740	$ 12,299	$ 11,158
Western Europe	5,709	4,979	4,193
Central & Eastern Europe	1,417	1,387	1,229
Greater China	3,067	2,602	2,478
Japan	755	771	876
Emerging Markets	3,898	3,949	3,832
Global Brand Divisions	115	125	115
Total NIKE Brand	28,701	26,112	23,881
Converse	1,982	1,684	1,449
Corporate	(82)	3	(17)
TOTAL NIKE CONSOLIDATED REVENUES	**$ 30,601**	**$ 27,799**	**$ 25,313**
EARNINGS BEFORE INTEREST AND TAXES			
North America	$ 3,645	$ 3,077	$ 2,639
Western Europe	1,277	855	643
Central & Eastern Europe	247	279	234
Greater China	993	816	813
Japan	100	131	139
Emerging Markets	818	952	985
Global Brand Divisions	(2,263)	(1,993)	(1,716)
Total NIKE Brand	4,817	4,117	3,737
Converse	517	496	425
Corporate	(1,101)	(1,036)	(909)
Total NIKE Consolidated Earnings Before Interest and Taxes	4,233	3,577	3,253
Interest expense (income), net	28	33	(3)
TOTAL NIKE CONSOLIDATED EARNINGS BEFORE TAXES	**$ 4,205**	**$ 3,544**	**$ 3,256**
ADDITIONS TO LONG-LIVED ASSETS			
North America	$ 208	$ 240	$ 132
Western Europe	216	120	75
Central & Eastern Europe	20	19	22
Greater China	69	63	52
Japan	15	9	7
Emerging Markets	37	55	50
Global Brand Divisions	225	225	270
Total NIKE Brand	790	731	608
Converse	69	30	20
Corporate	144	161	153
TOTAL ADDITIONS TO LONG-LIVED ASSETS	**$ 1,003**	**$ 922**	**$ 781**
DEPRECIATION			
North America	$ 121	$ 109	$ 92
Western Europe	75	71	68
Central & Eastern Europe	12	11	9
Greater China	46	38	32
Japan	22	19	22
Emerging Markets	27	25	20
Global Brand Divisions	210	175	122
Total NIKE Brand	513	448	365
Converse	18	16	15
Corporate	75	54	38
TOTAL DEPRECIATION	**$ 606**	**$ 518**	**$ 418**

(In millions)	As of May 31, 2015	2014
ACCOUNTS RECEIVABLE, NET		
North America	$ 1,737	$ 1,505
Western Europe	344	341
Central & Eastern Europe	242	280
Greater China	84	68
Japan	134	162
Emerging Markets	461	819
Global Brand Divisions	88	71
Total NIKE Brand	3,090	3,246
Converse	258	171
Corporate	10	17
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 3,358**	**$ 3,434**
INVENTORIES		
North America	$ 2,207	$ 1,758
Western Europe	699	711
Central & Eastern Europe	169	271
Greater China	249	221
Japan	94	94
Emerging Markets	528	633
Global Brand Divisions	32	18
Total NIKE Brand	3,978	3,706
Converse	237	261
Corporate	122	(20)
TOTAL INVENTORIES	**$ 4,337**	**$ 3,947**
PROPERTY, PLANT AND EQUIPMENT, NET		
North America	$ 632	$ 545
Western Europe	451	384
Central & Eastern Europe	47	51
Greater China	254	232
Japan	205	258
Emerging Markets	103	115
Global Brand Divisions	484	537
Total NIKE Brand	2,176	2,122
Converse	122	70
Corporate	713	642
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	**$ 3,011**	**$ 2,834**

Revenues by Major Product Lines

Revenues to external customers for NIKE Brand products are attributable to sales of footwear, apparel and equipment. Other revenues to external customers consist primarily of sales by Converse.

(In millions)	Year Ended May 31, 2015	2014	2013
Footwear	$ 18,318	$ 16,208	$ 14,635
Apparel	8,636	8,109	7,491
Equipment	1,632	1,670	1,640
Other	2,015	1,812	1,547
TOTAL NIKE CONSOLIDATED REVENUES	**$ 30,601**	**$ 27,799**	**$ 25,313**

Revenues and Long-Lived Assets by Geographic Area

After allocation of revenues for Global Brand Divisions, Converse and Corporate to geographical areas based on the location where the sales originated, revenues by geographical area are essentially the same as reported above under operating segments with the exception of the United States. Revenues derived in the United States were $14,180 million, $12,711 million and $11,385 million for the years ended May 31, 2015, 2014 and 2013, respectively. The Company's largest concentrations of long-lived assets primarily consist of the Company's world headquarters and distribution facilities in the United States and distribution facilities in Japan, Belgium and China. Long-lived assets attributable to operations in the United States, which are primarily composed of net property, plant & equipment, were $1,877 million and $1,652 million at May 31, 2015 and 2014, respectively. Long-lived assets attributable to operations in Japan were $205 million and $258 million at May 31, 2015 and 2014, respectively. Long-lived assets attributable to operations in Belgium were $234 million and $175 million at May 31, 2015 and 2014, respectively. Long-lived assets attributable to operations in China were $267 million and $234 million at May 31, 2015 and 2014, respectively.

Major Customers

No customer accounted for 10% or more of the Company's net revenues during the years ended May 31, 2015, 2014 and 2013.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There has been no change of accountants nor any disagreements with accountants on any matter of accounting principles or practices or financial statement disclosure required to be reported under this Item.

ITEM 9A. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carry out a variety of ongoing procedures, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of May 31, 2015.

"Management's Annual Report on Internal Control Over Financial Reporting" is included in Item 8 of this Report.

We have commenced several transformation initiatives to centralize and simplify our business processes and systems. These are long-term initiatives, which we believe will enhance our internal control over financial reporting due to increased automation and further integration of related processes. We will continue to monitor our internal control over financial reporting for effectiveness throughout the transformation.

There have not been any other changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

No disclosure is required under this Item.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by Item 401 of Regulation S-K regarding directors is included under “Election of Directors” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding executive officers is included under “Executive Officers of the Registrant” in Item 1 of this Report. The information required by Item 405 of Regulation S-K is included under “Election of Directors — Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Item 406 of Regulation S-K is included under “Corporate Governance — Code of Business Conduct and Ethics” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Items 407(d)(4) and (d)(5) of Regulation S-K regarding the Audit Committee of the Board of Directors is included under “Corporate Governance — Board Committees” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 11. Executive Compensation

The information required by Items 402, 407(e)(4) and 407(e)(5) of Regulation S-K regarding executive compensation is included under “Election of Directors — Director Compensation for Fiscal 2015,” “Compensation Discussion and Analysis,” “Executive Compensation,” “Election of Directors — Compensation Committee Interlocks and Insider Participation,” and “Compensation Committee Report” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 201(d) of Regulation S-K is included under “Executive Compensation — Equity Compensation Plans” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Item 403 of Regulation S-K is included under “Election of Directors — Stock Holdings of Certain Owners and Management” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions and Director Independence

The information required by Items 404 and 407(a) of Regulation S-K is included under “Election of Directors — Transactions with Related Persons” and “Corporate Governance — Director Independence” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

The information required by Item 9(e) of Schedule 14A is included under “Ratification Of Independent Registered Public Accounting Firm” in the definitive Proxy Statement for our 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits:

3.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2012).
3.2	Third Restated Bylaws, as amended (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed June 21, 2013).
4.1	Restated Articles of Incorporation, as amended (see Exhibit 3.1).
4.2	Third Restated Bylaws, as amended (see Exhibit 3.2).
10.1	Form of Non-Statutory Stock Option Agreement for options granted to non-employee directors prior to May 31, 2010 under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed June 21, 2005).*
10.2	Form of Non-Statutory Stock Option Agreement for options granted to non-employee directors after May 31, 2010 under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2010).*
10.3	Form of Non-Statutory Stock Option Agreement for options granted to executives prior to May 31, 2010 under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2009).*
10.4	Form of Restricted Stock Agreement for non-employee directors under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2014).*
10.5	Form of Non-Statutory Stock Option Agreement for options granted to executives after May 31, 2010 under the Stock Incentive Plan.*
10.6	Form of Indemnity Agreement entered into between the Company and each of its officers and directors (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008).*
10.7	NIKE, Inc. 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2014).*
10.8	NIKE, Inc. Executive Performance Sharing Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2012).*
10.9	NIKE, Inc. Long-Term Incentive Plan.*
10.10	NIKE, Inc. Deferred Compensation Plan (Amended and Restated effective April 1, 2013) (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2013).*
10.11	NIKE, Inc. Deferred Compensation Plan (Amended and Restated effective June 1, 2004) (applicable to amounts deferred before January 1, 2005) (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2004).*
10.12	Amendment No. 1 effective January 1, 2008 to the NIKE, Inc. Deferred Compensation Plan (June 1, 2004 Restatement) (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2009).*
10.13	NIKE, Inc. Foreign Subsidiary Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2008).*
10.14	Amended and Restated Covenant Not To Compete and Non-Disclosure Agreement between NIKE, Inc. and Mark G. Parker dated July 24, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 24, 2008).*
10.15	Form of Restricted Stock Agreement under the Stock Incentive Plan for awards after May 31, 2010.*
10.16	Form of Restricted Stock Unit Agreement under the Stock Incentive Plan.*
10.17	Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and Donald W. Blair dated November 10, 1999 (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2006).*
10.18	Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and Eric D. Sprunk dated April 18, 2001 (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2010).*
10.19	Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and Trevor A. Edwards dated November 14, 2002 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008).*
10.20	Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and Jeanne Jackson dated March 4, 2009 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2014).*
10.21	Policy for Recoupment of Incentive Compensation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 20, 2010).*
10.22	Credit Agreement dated as of November 1, 2011 among NIKE, Inc., Bank of America, N.A., individually and as Agent and the other banks party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 2, 2011).
12.1	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm (included within this Annual Report on Form 10-K).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32	Section 1350 Certifications.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase

101.DEF	XBRL Taxonomy Extension Definition Document
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* *Management contract or compensatory plan or arrangement.*

The Exhibits filed herewith do not include certain instruments with respect to long-term debt of NIKE and its subsidiaries, inasmuch as the total amount of debt authorized under any such instrument does not exceed 10 percent of the total assets of NIKE and its subsidiaries on a consolidated basis. NIKE agrees, pursuant to Item 601(b)(4)(iii) of Regulation S-K, that it will furnish a copy of any such instrument to the SEC upon request.

Upon written request to Investor Relations, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453, NIKE will furnish shareholders with a copy of any Exhibit upon payment of $0.10 per page, which represents our reasonable expenses in furnishing Exhibits.

SCHEDULE II — Valuation and Qualifying Accounts

(In millions)	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts[(1)]	Write-Offs, Net	Balance at End of Period
Sales returns reserve					
For the year ended May 31, 2013	$ 173	$ 538	$ 1	$ (471)	$ 241
For the year ended May 31, 2014	241	619	(3)	(549)	308
For the year ended May 31, 2015	308	726	(35)	(620)	379
Allowance for doubtful accounts[(2)]					
For the year ended May 31, 2013	$ 91	$ 31	$ 1	$ (19)	$ 104
For the year ended May 31, 2014	104	13	(2)	(37)	78
For the year ended May 31, 2015	78	35	(15)	(20)	78

(1) Amounts included in this column primarily relate to foreign currency translation.

(2) Includes both current and non-current portions of the allowance for doubtful accounts. The non-current portion is included in Deferred income taxes and other assets on the Consolidated Balance Sheets.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-188072) and Form S-8 (Nos. 033-63995, 333-63581, 333-63583, 333-68864, 333-68886, 333-71660, 333-104822, 333-117059, 333-133360, 333-164248, 333-171647 and 333-173727) of NIKE, Inc. of our report dated July 23, 2015 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Portland, Oregon

July 23, 2015

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NIKE, INC.	
By:	/s/ MARK G. PARKER
	Mark G. Parker
	Chief Executive Officer and President
Date:	July 23, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
PRINCIPAL EXECUTIVE OFFICER AND DIRECTOR:		
/s/ MARK G. PARKER **Mark G. Parker**	*Director, Chief Executive Officer and President*	July 23, 2015
PRINCIPAL FINANCIAL OFFICER:		
/s/ DONALD W. BLAIR **Donald W. Blair**	*Chief Financial Officer*	July 23, 2015
PRINCIPAL ACCOUNTING OFFICER:		
/s/ BERNARD F. PLISKA **Bernard F. Pliska**	*Corporate Controller*	July 23, 2015
DIRECTORS:		
/s/ PHILIP H. KNIGHT **Philip H. Knight**	*Director, Chairman of the Board*	July 23, 2015
/s/ ELIZABETH J. COMSTOCK **Elizabeth J. Comstock**	*Director*	July 23, 2015
/s/ JOHN G. CONNORS **John G. Connors**	*Director*	July 23, 2015
/s/ TIMOTHY D. COOK **Timothy D. Cook**	*Director*	July 23, 2015
/s/ JOHN J. DONAHOE II **John J. Donahoe II**	*Director*	July 23, 2015
/s/ ALAN B. GRAF, JR. **Alan B. Graf, Jr.**	*Director*	July 23, 2015
/s/ DOUGLAS G. HOUSER **Douglas G. Houser**	*Director*	July 23, 2015
/s/ TRAVIS A. KNIGHT **Travis A. Knight**	*Director*	July 23, 2015
/s/ JOHN C. LECHLEITER **John C. Lechleiter**	*Director*	July 23, 2015
/s/ MICHELLE A. PELUSO **Michelle A. Peluso**	*Director*	July 23, 2015
/s/ JOHNATHAN A. RODGERS **Johnathan A. Rodgers**	*Director*	July 23, 2015
/s/ ORIN C. SMITH **Orin C. Smith**	*Director*	July 23, 2015
/s/ JOHN R. THOMPSON, JR. **John R. Thompson, Jr.**	*Director*	July 23, 2015
/s/ PHYLLIS M. WISE **Phyllis M. Wise**	*Director*	July 23, 2015

EXHIBIT 12.1 NIKE, Inc. Computation of Ratio of Earnings to Fixed Charges

The following disclosure reflects the Company's continuing operations:

	Year Ended May 31,				
(In millions)	2015	2014	2013	2012	2011
Net income from continuing operations	$ 3,273	$ 2,693	$ 2,451	$ 2,257	$ 2,163
Income tax expense	932	851	805	754	689
Income before income taxes	4,205	3,544	3,256	3,011	2,852
Add fixed charges:					
Interest expense(1)	60	58	23	31	32
Interest component of leases(2)	59	53	48	42	39
TOTAL FIXED CHARGES	**119**	**111**	**71**	**73**	**71**
Earnings before income taxes and fixed charges(3)	$ 4,324	$ 3,655	$ 3,327	$ 3,084	$ 2,923
Ratio of earnings to total fixed charges	36.3	32.9	46.9	42.2	41.2

(1) Interest expense includes interest both expensed and capitalized.

(2) Interest component of leases includes one-tenth of rental expense which approximates the interest component of operating leases.

(3) Earnings before income taxes and fixed charges includes amortization of capitalized interest.

EXHIBIT 21 Subsidiaries of the Registrant

Entity Name	Jurisdiction of Formation
All Star C.V.	Netherlands
American Converse S.L.U.	Spain
American NIKE S.L.U.	Spain
A.S. Roma Merchandising S.R.L.	Italy
BRS NIKE Taiwan Inc.	Taiwan
Converse (Asia Pacific) Limited	Hong Kong
Converse Canada Corp.	Canada
Converse Canada Holding B.V.	Netherlands
Converse Deutschland GmbH	Germany
Converse Do Brasil Ltda.	Brazil
Converse Europe Limited	United Kingdom
Converse Footwear Technical Service (Zhongshan) Co., Ltd.	People's Republic of China
Converse Holdings LLC	Delaware
Converse Hong Kong Holding Company Limited	Hong Kong
Converse Hong Kong Limited	Hong Kong
Converse Inc.	Delaware
Converse Korea LLC	South Korea
Converse Netherlands B.V.	Netherlands
Converse Retail B.V.	Netherlands
Converse Sporting Goods (China) Co., Ltd.	People's Republic of China
Converse Trading Company B.V.	Netherlands
F.C. Internazionale Merchandising s.r.l.	Italy
French Football Merchandising S.A.S.	France
Futbol Club Barcelona Merchandising, S.L.	Spain
Hurley 999, S.L.U.	Spain
Hurley Australia Pty. Ltd.	Australia
Hurley International LLC	Oregon
Hurley Phantom C.V.	Netherlands
Juventus Merchandising S.R.L.	Italy
LATAM Comercio de Productos Esportivos Ltda.	Brazil
Manchester United Merchandising Limited	United Kingdom
NIKE 360 Holding B.V.	Netherlands
NIKE Amplify LLC	Delaware
NIKE Argentina S.R.L.	Argentina
NIKE Asia Holding B.V.	Netherlands
NIKE Australia Pty. Ltd.	Australia
NIKE CA LLC	Delaware
NIKE Canada Corp.	Canada
NIKE Canada Holding B.V.	Netherlands
NIKE Chile B.V.	Netherlands
NIKE China Holding HK Limited	Hong Kong
NIKE Codrus Coöperatief U.A.	Netherlands
NIKE Commercial (China) Co., Ltd.	People's Republic of China
NIKE CR d.o.o	Croatia
NIKE Czech s.r.o.	Czech Republic
NIKE de Chile Ltda.	Chile
NIKE de Mexico S de R.L. de C.V.	Mexico
NIKE Denmark ApS	Denmark
NIKE Deutschland GmbH	Germany
NIKE do Brasil Comercio e Participacoes Ltda.	Brazil
NIKE Drive B.V.	Netherlands
NIKE Elevate C.V.	Netherlands
NIKE Europe Holding B.V.	Netherlands
NIKE European Operations Netherlands B.V.	Netherlands
NIKE Finance Ltd.	Bermuda
NIKE Finland OY	Finland
NIKE France S.A.S.	France
NIKE Fuel B.V.	Netherlands
NIKE Fundamentals C.V.	Netherlands
NIKE Galaxy Holding B.V.	Netherlands

Entity Name	Jurisdiction of Formation
NIKE Gesellschaft m.b.H.	Austria
NIKE Glide C.V.	Netherlands
NIKE Global Holding B.V.	Netherlands
NIKE GLOBAL SERVICES PTE. LTD.	Singapore
NIKE GLOBAL TRADING PTE. LTD.	Singapore
NIKE Group Holding B.V.	Netherlands
NIKE Hellas EPE	Greece
NIKE Holding, LLC	Delaware
NIKE Hong Kong Limited	Hong Kong
NIKE Huarache	Bermuda
NIKE Hungary LLC	Hungary
NIKE Ignite LLC	Delaware
NIKE IHM, Inc.	Missouri
NIKE India Holding B.V.	Netherlands
NIKE India Private Limited	India
NIKE Innovate C.V.	Netherlands
NIKE International Holding B.V.	Netherlands
NIKE International Holding, Inc.	Delaware
NIKE International LLC	Delaware
NIKE International Ltd.	Bermuda
NIKE Israel Ltd.	Israel
NIKE Italy S.R.L.	Italy
NIKE Japan Corp.	Japan
NIKE Japan Group LLC	Japan
NIKE Korea LLC	South Korea
NIKE Laser Holding B.V.	Netherlands
NIKE Licenciamentos Ltda.	Brazil
NIKE Lightning C.V.	Netherlands
NIKE Logistics Yugen Kaisha	Japan
NIKE Maxim C.V.	Netherlands
NIKE Mercurial Corp.	Delaware
NIKE Mercurial Finance Limited	United Kingdom
NIKE Mercurial Hong Kong Limited	Hong Kong
NIKE Mercurial Licensing Limited	United Kingdom
NIKE Mercurial Ltd.	United Kingdom
NIKE Mercurial I Limited	United Kingdom
NIKE Mexico Holdings, LLC	Delaware
NIKE New Zealand Company	New Zealand
NIKE Norway AS	Norway
NIKE NZ Holding B.V.	Netherlands
NIKE Offshore Holding B.V.	Netherlands
NIKE Panama S. de R.L.	Panama
NIKE Philippines, Inc.	Philippines
NIKE Poland Sp. z o.o.	Poland
NIKE Retail B.V.	Netherlands
NIKE Retail Hellas Ltd.	Greece
NIKE Retail Israel Ltd.	Israel
NIKE Retail LLC	Russia
NIKE Retail Poland Sp. z o.o.	Poland
NIKE Retail Services, Inc.	Oregon
NIKE Retail Turkey	Turkey
NIKE Russia LLC	Russia
NIKE SALES (MALAYSIA) SDN. BHD.	Malaysia
NIKE Servicios de Mexico S. de R.L. de C.V.	Mexico
NIKE SINGAPORE PTE. LTD.	Singapore
NIKE Slovakia s.r.o.	Slovakia
NIKE Sourcing India Private Limited	India
NIKE Sourcing (Guangzhou) Co., Ltd.	People's Republic of China
NIKE South Africa (Proprietary) Limited	South Africa
NIKE South Africa Holdings LLC	Delaware
NIKE Sphere C.V.	Netherlands
NIKE Sports (China) Company, Ltd.	People's Republic of China
NIKE Suzhou Holding HK Limited	Hong Kong

Entity Name	Jurisdiction of Formation
NIKE Sweden AB	Sweden
NIKE (Switzerland) GmbH	Switzerland
NIKE Taiwan Limited	Taiwan
NIKE (Thailand) Limited	Thailand
NIKE TN, Inc.	Oregon
NIKE Trading Company B.V.	Netherlands
NIKE UK Holding B.V.	Netherlands
NIKE (UK) Limited	United Kingdom
NIKE USA, Inc.	Oregon
NIKE Vapor Ltd.	United Kingdom
NIKE Victory Cooperatief U.A.	Netherlands
NIKE Vietnam Limited Liability Company	Vietnam
NIKE Vision, Timing and Techlab, LP	Texas
NIKE Vomero Cooperatief U.A.	Netherlands
NIKE Wholesale LLC	Slovenia
NIKE Woodside I, LLC	Oregon
NIKE Woodside II, LLC	Oregon
NIKE Woodside I Holdings, Inc.	Oregon
NIKE Woodside II Holdings, Inc.	Oregon
NIKE Zoom LLC	Delaware
PT Hurley Indonesia	Indonesia
PT NIKE Indonesia	Indonesia
Triax Insurance, Inc.	Hawaii
Twin Dragons Global Limited	Hong Kong
Twin Dragons Holding B.V.	Netherlands
Yugen Kaisha Hurley Japan	Japan

DIRECTORS

Elizabeth J. Comstock[3][4]
Senior Vice President & Chief Marketing Officer
General Electric Company
Fairfield, Connecticut

John G. Connors[2][3]
Partner
Ignition Partners LLC
Bellevue, Washington

Timothy D. Cook[4][6]
Chief Executive Officer
Apple Inc.
Cupertino, California

John J. Donahoe II[3][6]
President & Chief Executive Officer
eBay Inc.
San Jose, California

Alan B. Graf, Jr.[2][6]
Executive Vice President & Chief Financial Officer
FedEx Corporation
Memphis, Tennessee

Douglas G. Houser[1][5][6]
Senior Counsel
Bullivant, Houser, Bailey, P.C., Attorneys
Portland, Oregon

Philip H. Knight[1]
Chairman of the Board
NIKE, Inc.
Beaverton, Oregon

Travis A. Knight
President & Chief Executive Officer
LAIKA, LLC
Hillsboro, Oregon

John C. Lechleiter[4][5]
Chairman of the Board, President & Chief Executive Officer
Eli Lilly and Company
Indianapolis, Indiana

Mark G. Parker[1]
President & Chief Executive Officer
NIKE, Inc.
Beaverton, Oregon

Michelle A. Peluso[2][5]
Chief Executive Officer
Gilt
New York, New York

Johnathan A. Rodgers[4][5]
President & Chief Executive Officer (Retired)
TV One, LLC
Silver Springs, Maryland

Orin C. Smith[2][3]
President & Chief Executive Officer (Retired)
Starbucks Corporation
Seattle, Washington

John R. Thompson, Jr.[5]
Assistant to the President of Georgetown University for Urban Affairs
Georgetown University
Washington, D.C.

Phyllis M. Wise[5][6]
Chancellor
University of Illinois, at Urbana-Champaign
Urbana, Illinois

(1) Member — Executive Committee
(2) Member — Audit Committee
(3) Member — Finance Committee
(4) Member — Compensation Committee
(5) Member — Corporate Responsibility and Sustainability Committee
(6) Member — Nominating and Corporate Governance Committee

CORPORATE OFFICERS

Philip H. Knight
Chairman of the Board of Directors

Mark G. Parker
President & Chief Executive Officer

David J. Ayre
Executive Vice President, Global Human Resources

Donald W. Blair
Executive Vice President & Chief Financial Officer

Trevor A. Edwards
President, NIKE Brand

Jeanne P. Jackson
President, Product & Merchandising

Hilary K. Krane
Executive Vice President, Chief Administrative Officer & General Counsel

John F. Slusher
Executive Vice President, Global Sports Marketing

Eric D. Sprunk
Chief Operating Officer

Kelley K. Hall
Vice President, Corporate Finance & Treasurer

John F. Coburn III
Vice President & Corporate Secretary

Jeanine Hayes
Vice President, Intellectual Property & Assistant Secretary

Evan S. Reynolds
Senior Counsel, Corporate Governance & Assistant Secretary

SUBSIDIARIES

CONVERSE INC.

James A. Calhoun Jr.
Chief Executive Officer

160 North Washington St.
Boston, Massachusetts 02114

HURLEY INTERNATIONAL LLC

Robert Hurley
President & Chief Executive Officer

1945 Placentia Avenue
Costa Mesa,
California 92627

LOCATIONS

WORLD HEADQUARTERS

One Bowerman Drive
Beaverton, Oregon 97005-6453

EUROPEAN HEADQUARTERS

Colosseum 1
1213 NL Hilversum
The Netherlands

GREATER CHINA HEADQUARTERS

LiNa Building
Tower 1, No. 99
Jiangwancheng Road
Yangpu District
Shanghai, China 200438

SHAREHOLDER INFORMATION

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
805 SW Broadway, Suite 800
Portland, Oregon 97205

REGISTRAR AND STOCK TRANSFER AGENT

Computershare Trust Company, N.A.
P.O. Box 30170
College Station, Texas 77842-3170
800-756-8200
Hearing Impaired #
TDD: 800-952-9245
http://www.computershare.com

Shareholder Information

NIKE, Inc. common stock is listed on the New York Stock Exchange under trading symbol 'NKE.' Copies of the Company's Form 10-K or Form 10-Q reports filed with the Securities and Exchange Commission are available from the Company without charge. To request a copy, please call 800-640-8007 or write to NIKE's Investor Relations Department at NIKE World Headquarters, One Bowerman Drive, Beaverton, Oregon 97005-6453. Copies are available on the investor relations website, http://investors.nike.com.

Dividend Payments

Quarterly dividends on NIKE common stock, when declared by the Board of Directors, are paid on or about July 5, October 5, January 5, and April 5. Additional financial information is available at http://investors.nike.com.

Other Shareholder Assistance

Communications concerning shareholder address changes, stock transfers, changes of ownership, lost stock certificates, payment of dividends, dividend check replacements, duplicate mailings, or other account services should be directed to the Company's Registrar and Stock Transfer Agent at the address or telephone number above.

NIKE, INC.
One Bowerman Drive
Beaverton, OR 97005-6453
www.nike.com

MIX
Paper from responsible sources
FSC® C101537
FSC
www.fsc.org